United States Department of Agriculture

United States
Department of
Agriculture

Office of the Chief
Information Officer

1400 Independence
Avenue SW
Washington, DC
20250

April 19, 2019

Delivered via Electronic Mail
Austin R. Evers
Executive Director
American Oversight
1030 15th Street NW
Suite B255
Washington, DC 20005
foia@americanoversight.org

Re: First Interim Response for Freedom of Information Act (FOIA) Request No. 2019-DA-00600-F

Dear Mr. Evers:

This is the U.S. Department of Agriculture (USDA) Departmental FOIA Office's (DFO's) first interim response to the above-referenced FOIA request, which has been assigned FOIA tracking number 2019-DA-00600-F. Your request is being processed under the FOIA, 5 U.S.C. § 552. A copy of your request is enclosed for your convenience.

A search was conducted by the Office of the Chief Information Officer (OCIO) telecommunications provider Customer Experience Center (CEC). This provider performs network services for OCIO to include electronic messaging operations, electronic calendars, blackberry, mobile device management (MDM), file and print, remote access, voice, network, service desk, and other application services. The CEC conducted searches of the email accounts of Secretary Sonny Perdue, Stephen Censky, Heidi Green, Margaret "Maggie" Lyons, Joby Freeman Young, Ray Starling, Rebeckah Adcock, Kristi Boswell, Sam Clovis, Brian Klippenstein, Carly Miller, Bill Northey, Jamie Clover-Adams, Ted McKinney, Nick Brusky, and Brenton "Brent" McNeely between January 20, 2017 and the date the search was commenced, October 23, 2018.

The first interim response consists of 112 pages of records. Following a review of the responsive records, the DFO has determined that certain information contained therein should be withheld pursuant to FOIA Exemption 6, 5 U.S.C. §552(b)(6). Below is an explanation of the information that has been withheld.

The DFO is continuing to process the remainder of your request.

FOIA Exemption 6

Exemption 6 generally is referred to as the "personal privacy" exemption. It provides that the disclosure requirements of FOIA do not apply to "personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy." 5 U.S.C. 552(b)(6). Application of the exemption involves balancing the public's interest in disclosure against individuals' privacy interests. The relevant public interest for this balancing test is whether release of the information would shed light on governmental activities.

The responsive records meet the threshold of "similar files" because they contain information identifying individuals. The information withheld under Exemption 6 consists of personal or mobile telephone numbers of a USDA official and non-government individuals as well as email addresses of non-government individuals.

These individuals have a strong privacy interest in their personal telephone numbers and email addresses because release could subject the individuals to unwanted or unsolicited communications. With regard to the public interest, release of this information will not add to the public's understanding of governmental activities; accordingly there is no public interest in release. Because there is a significant privacy interest that would be threatened by disclosure and because the DFO has not identified any public interest, Exemption 6 authorizes this office to withhold the information.

The DFO continues to process your FOIA request and will issue a final response. The final response letter will advise you of your appeal rights for all records released in response to your request, including this interim response.

You may seek dispute resolution services from the DFO's FOIA Public Liaison, Ms. Ravoyne Payton at USDAFOIA@ocio.usda.gov.

You also have the option to seek assistance from the Office of Government Information Services (OGIS). The contact information for OGIS is as follows: Office of Government Information Services, National Archives and Records Administration, Room 2510, 8601 Adelphi Road, College Park, Maryland 20740-6001; email at ogis@nara.gov; telephone at 202-741-5770; toll-free at 1-877-684-6448; or facsimile at 202-741-5769.

Provisions of the FOIA allow us to recover part of the cost of processing your request. In this instance, no fees will be charged because you were granted a fee waiver on November 1, 2018.

If you have any questions regarding the processing of this request, please contact Brooke Geller at brooke.geller@usda.gov or USDAFOIA@ocio.usda.gov. For additional

Austin R. Evers
2019-DA-00600-F

information regarding USDA FOIA regulations and processes, please refer to the information available online at www.dm.usda.gov/foia.

The DFO appreciates the opportunity to assist you with this matter.

Sincerely,

ALEXIS GRAVES

Digitally signed by ALEXIS GRAVES
Date: 2019.04.19 12:34:30 -04'00'

Alexis R. Graves
Departmental FOIA Officer
Office of the Chief Information Officer

Enclosures: FOIA Request No. 2019-DA-00600-F
Responsive Records (112 pages)

From:	Klippenstein, Brian - OSEC, Washington, DC
To:	Nick Giordano
Subject:	Re: NPPC: Pork at Tip Of Spear from Tariff Backlash | Agweb.com
Date:	Wednesday, June 6, 2018 10:06:48 PM

You are never going to need a backbone transplant Nick.

Sent from my iPhone

On Jun 6, 2018, at 9:40 PM, Nick Giordano [redacted]@nppc.org> wrote:

https://www.agweb.com/mobile/article/nppc-pork-at-tip-of-spear-from-tariff-backlash/

NPPC: Pork at Tip Of Spear from Tariff Backlash

June 6, 2018 04:55 PM

Ask National Pork Producers Council (NPPC) Vice President and Counsel Nick Giordano about the impact of the Trump administration's tariffs on U.S. pork and his response is pointed and simple: "ouch!"

Mexico announced Wednesday it would raise tariffs on pork shoulders and legs, up to 20 percent by July 5. China had earlier announced new tariffs on U.S. pork products. Both moves come in response to a simmering trade war that has included new duties on Chinese products and tariffs on steel and aluminum from the European Union, Canada and Mexico.

"I know other industries have been caught up in retaliation for these trade disputes," Giordano told AgDay TV's Betsy Jibben at World Pork Expo. "But I think we're probably the biggest industry and the industry that's been impacted the most. China and Mexico are huge markets so we're not just at the tip of the spear in these trade

disputes, the spear's in us and we are bleeding."

Still, Giordano voiced support for President Donald Trump and his administration, indicating that the president is working for a long-term solution that will benefit U.S. agriculture.

"The President of the United States, the Secretary of Agriculture are saying they're going to take care of farmers and ranchers and that's important," Giordano said. "So you're not going to see us anytime soon throwing rocks, but you know, we are certainly making it known to our policymakers and elected officials were really hurting."

Giordano said NPPC leadership is telling members to be ready to hunker down and "be a patriot."

Farmers, however, should have priority once the trade dust settles according to Giordano.

"We really should be first in line when it comes to making farmers whole," he said. "And we're not asking for, you know, hog farmer payments or something like that. The best way to make us whole is to get us back in China, get us back in Mexico, get these trade disputes solved, get a bilateral free trade agreement with with Japan or go back in TPP."

Watch the entire interview with Nick Giordano in the player above.

Sent from my iPhone

delete the email immediately.

From: Jackie Klippenstein
Sent: Tuesday, June 19, 2018 2:19 PM
To: Klippenstein, Brian - OSEC, Washington, DC
Subject: FW: Morning Trade, presented by Farmers for Free Trade: Trump's approach on China: Go big or go home — Senate deals Trump a blow with ZTE reversal — Pompeo hopeful on NAFTA talks

From: POLITICO Pro Trade <politicoemail@politicopro.com>
Sent: Tuesday, June 19, 2018 4:38 AM
To: Jackie Klippenstein [redacted] (b) (6) @dfamilk.com>
Subject: Morning Trade, presented by Farmers for Free Trade: Trump's approach on China: Go big or go home — Senate deals Trump a blow with ZTE reversal — Pompeo hopeful on NAFTA talks

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By Sabrina Rodriguez | 06/19/2018 05:36 AM EDT

With help from Doug Palmer and Adam Behsudi

TRUMP'S APPROACH ON CHINA: GO BIG OR GO HOME: President Donald Trump upped the ante against China on Monday evening by threatening to slap tariffs on an additional $200 billion worth of Chinese goods.

Trump asked U.S. Trade Representative Robert Lighthizer to draw up a list of products that would be hit with a 10 percent tariff — a response that comes after Beijing retaliated in kind to Trump's initial decision last week to hit $50 billion worth of Chinese goods with a 25 percent tariff.

"This latest action by China clearly indicates its determination to keep the United States at a permanent and unfair disadvantage, which is reflected in our massive $376 billion trade imbalance in goods," Trump said in a statement. "This is unacceptable. Further action must be taken to encourage China to change its unfair practices, open its market to United States goods, and accept a more balanced trade relationship with the United States."

Lighthizer offered support for Trump's ask on Monday night, calling the initial tariffs "proportionate and very responsive to forced technology transfer and intellectual property theft by the Chinese."

Keep 'em coming: Trump also promised that if China slaps more retaliatory tariffs, he'll pursue additional tariffs on another $200 billion worth of goods. That would mean tariffs on a total of $450 billion in goods, or roughly 90 percent of the $505 billion worth of Chinese goods sold to the U.S. last year.

And Beijing looks to retaliate again. China's Commerce Ministry said Monday night that "if the U.S. side becomes irrational and issues a list, China will have to adopt comprehensive measures combining quantity and quality to make a strong countermeasure."

Trump's icy reception to Chinese retaliation: It's not the first time Trump has had a negative response to retaliatory tariffs from China. In April, Trump threatened to impose tariffs on an additional $100 billion in Chinese imports because "rather than remedy its misconduct, China has chosen to harm our farmers and manufacturers," he said then. China, at the time, had first announced its proposal to retaliate against the U.S. action, a move Trump called "unfair."

The bigger message: The Trump administration will continue to press on for a "better and fairer trading system for all Americans," Trump said. "But the United States will no longer be taken advantage of on trade by China and other countries in the world." Doug Palmer has more.

IT'S TUESDAY, JUNE 19! Welcome to Morning Trade, where your host was hoping this would be a relaxed week in the trade world. Guess not... Got any news or trade survival tips? Let me know: srodriguez@politico.com or @sabrod123.

SENATE DEALS TRUMP A BLOW WITH ZTE REVERSAL: The Senate voted on Monday to reverse the Trump administration's decision to save Chinese telecommunications giant ZTE. The provision targeting ZTE was part of a must-pass defense bill that cleared the Senate in an 85-10 vote.

What's in the amendment: The Senate provision would effectively reinstate a seven-year ban on American companies doing business with ZTE. It would force Trump to certify that Chinese telecoms have not violated U.S. law for a full year and are cooperating with U.S. investigators before any lifting of civil penalties.

It's not over till it's over: The National Defense Authorization Act must now be reconciled with the House version of the measure, which takes a much narrower approach to ZTE. Behind the scenes, the White House has been scrambling to avert a showdown on the issue, dispatching Commerce Secretary Wilbur Ross to the Hill last week and warning that any congressional effort on ZTE should respect "the separation of powers."

Trump will meet Wednesday with some Republicans on ZTE, Senate Majority Whip John Cornyn told POLITICO. "I think the president wants to weigh in, and we want to listen to what he has to say," Cornyn said, adding that "obviously there's conflict" between the administration and Congress on the issue. However, he didn't say how many lawmakers would attend and whether the group would include any Democrats. Pro Technology's John Hendel has more.

The NDAA also includes a bipartisan overhaul of the Committee on Foreign Investment in the United States, a Treasury-led panel tasked with reviewing foreign takeovers of U.S. companies for national security concerns. Supporters say the legislation is needed to blunt the ability of China and other nations to acquire critical U.S. technologies.

"China exploits loopholes in our existing safeguards to acquire sensitive, cutting-edge technology and then turns this technology against us to undermine our military advantage," Cornyn said in a statement.

POMPEO HOPEFUL ON NAFTA TALKS: Secretary of State Mike Pompeo predicted that there will be NAFTA "deals" in the coming weeks that the world "will view as significantly better for the global economy."

"On NAFTA, the president is working hard and I am confident we will get deals. Deals that will be good for Mexico. A deal that will be good for Canada. And deals that will be wonderful for American workers," Pompeo said Monday during a speech at the Detroit Economic Club.

Pompeo added that he spoke on Saturday with Canadian Foreign Minister Chrystia Freeland, who is leading NAFTA talks for Canada.

"I'm convinced when the trade negotiations are complete, there will be more volume, more dollars and greater freedom of trade between the United States and Canada. I'm completely convinced of it," he said.

Down on China: Pompeo had less hopeful words about China, echoing his boss' get-tough strategy reflected in a recent decision to announce tariffs against Beijing.

"Chinese leaders over these past few weeks have been claiming openness and globalization, but it's a joke," Pompeo said. "Let's be clear, it's the most predatory economic government that operates against the rest of the world today. This is a problem that is long overdue in being tackled."

FARMERS TARGET TRUMP'S TV TIME AGAIN: Farmers for Free Trade is trying again to appeal to Trump with a new 30-second spot on how the retaliatory blowback from his steel and aluminum tariffs will hurt American farmers. The new ad, created with the U.S. Apple Association, launches this week and will run on Fox News, CNN, MSNBC — Trump's most-watched channels — and online.

"The U.S. apple industry does depend on exports," Mark Boyer, part-owner of Ridgetop Orchards, says in the ad. "Without certainty in foreign markets, why would you invest in equipment, why would you invest in anything? The stakes are high. People will lose their jobs."

This is the third ad that Farmers for Free Trade — an advocacy group formed last year by several agriculture industry groups in response to Trump's trade policies — has paid for in recent months to make the case that the president's actions on trade will be a major blow to U.S. growers, a key part of his political base.

TRUMP ADVISER: U.S. ECONOMY CAN HANDLE TRADE UNCERTAINTY: While Trump's trade agenda does create some uncertainty for Americans, the U.S. economy is in a position to handle it and will end up with more fair trade, one of Trump's top economic advisers said Monday.

"I think that we're going from an old world to a new world. We're going to get to that new world that is a big positive change in trade policy. But that uncertainty over it right now is definitely palpable," Kevin Hassett, chairman of the Council of Economic Advisers, said in an interview with CNBC.

"If right in the middle of the financial crisis we added some uncertainty over exactly how are these negotiations going to work out, then it would be pretty harmful then," Hassett added. "But right now, the economy has a lot of forward momentum."

COMMERCE SETS HEFTY DUTIES IN 'SELF-INITIATED' ALUMINUM CASE: The Commerce Department on Monday set preliminary duties of 167 percent on imports of common alloy aluminum sheet from China, which were valued at more than $600 million in 2016. Ross "self-initiated" the aluminum investigation in a rare move last year. It was the first time the department self-initiated a case in over 25 years.

The Aluminum Association, the main U.S. industry group, praised the new duties. "For too long, the Government of China has been unfairly and illegally subsidizing its aluminum industry, leading to massive market overcapacity and challenging producers across the value chain," AA President and CEO Heidi Brock said in a statement.

The preliminary anti-dumping duties announced Monday are intended to offset what Commerce says is unfairly low pricing by Chinese producers and exporters. They are in addition to preliminary countervailing duties ranging from 31.20 percent to 113.30 percent that were set in April to offset Chinese government subsidies found by the Commerce Department.

CHINA'S ATTENDANCE DOWN AT SELECTUSA SUMMIT: The latest numbers indicate there will be about one-third fewer Chinese participants at this week's SelectUSA Investment Summit compared to last year, event organizers told Morning Trade. About 100 representatives from Chinese companies are expected at this week's gathering at the Gaylord National Resort and Convention Center in National Harbor, Md., down from 155 last year.

The drop comes as the Trump administration is considering new restrictions on Chinese investment in the United States, in addition to its already announced plans to impose tariffs on $50 billion worth of Chinese

goods. Treasury Secretary Steven Mnuchin, whose department is responsible for recommending any investment curbs, is scheduled to speak on Thursday morning at this year's summit. Pompeo will address the group on Friday.

Over 1,200 foreign company representatives are expected at National Harbor this week. Taiwan is bringing the biggest delegation (125 people), followed by China (100), Japan (97), India (91), Romania (43), Switzerland (42), South Korea (36), Germany (35), Israel (31) and Brazil (31).

Total attendance is expected to reach over 3,000. State economic development organizations are sending over 700 representatives and a number of governors are scheduled to speak at the conference to make a pitch for investing in the United States and their own states.

EU LOOKS TO AUSTRALIA FOR TRADE DEAL: EU trade commissioner Cecilia Malmström predicted on Monday that while there would be "difficult moments" in trade talks with Australia, a successful accord would send a strong message against Trump's protectionism.

The EU and Australia, "who have always been defenders of international trade," are sending "a very hands-on statement" that "together with other allies we are ready to stand up, to develop, to reform the system, and also to send the message that trade is a good thing," said Malmström, who traveled to Australia to officially launch the negotiations. Officials will meet in Brussels in two weeks to start technical talks, she said.

Standing up to protectionism: The current climate is "very dangerous to global growth," Malmström said. "That's why those of us who do believe in free trade must stick together."

ITC TAPS NEW CHAIRMAN: The U.S. International Trade Commission on Sunday named David Johanson as its new chairman. Johanson, the senior Republican on the ITC, replaces Rhonda Schmidtlein as leader of the agency in the absence of a new presidential designee to take over.

Johanson, who joined the ITC in 2011 and was nominated by former President Barack Obama, has served as vice chairman of the ITC for almost two years. Prior to joining the ITC, the Texas Republican served as international trade council for Republicans in the Senate Finance Committee, overseeing implementation of various free trade agreements.

Schmidtlein, a Missouri Democrat whose term as chairwoman expired Saturday, will continue to serve as a commissioner.

LAWMAKERS PRESS FOR ALUMINUM PRICING PROBE: A bipartisan group of 32 House members wants Attorney General Jeff Sessions to investigate how a steadily rising premium on aluminum is artificially inflating the price of the metal now that it faces import tariffs of 10 percent. The lawmakers highlight "anti-competitive" conduct from U.S. aluminum producers, merchants, traders and others involved in transactions.

"These pricing irregularities for aluminum appear to stem from the 'Midwestern Transactional Premium' (MWTP)," the House members wrote in a letter dated Monday. "The MWTP reference price is charged to all end users of aluminum in the United States, and is intended to account for the cost of storage and transportation of aluminum to end users."

The lawmakers say the group that sets the premium price, S&P Global Platts, may be using methodologies that are "flawed and not consistently followed."

Industry applauds: The Beer Institute, the industry association for the largest U.S. brewers which has been leading the charge in calling for an investigation of the premium, applauded the lawmakers' request.

"The Midwest Premium has become a device to speculate and artificially inflate the price paid for aluminum at the expense of end-user businesses and consumers. Since January it has increased by as much as 135 percent - far more than the 10 percent tariff would warrant," Beer Institute President Jim McGreevy said in a statement.

INTERNATIONAL OVERNIGHT

-- Commerce Secretary Wilbur Ross sold his shares in a shipping company days before news dropped that the company had ties with Russian President Vladimir Putin's inner circle, Financial Times reports.

-- GOP fears Trump's immigration crackdown will derail Republicans' midterm campaign strategy, POLITICO reports.

-- Apple chief executive Tim Cook has become the tech industry's top diplomat in the face of disputes between the U.S. and China over trade and technology, The New York Times reports.

AROUND TOWN

-- 10 a.m.: The Office of the U.S. Trade Representative holds a hearing on the initiation of country practice reviews regarding compliance with the Generalized System of Preferences eligibility criteria of India, Indonesia and Kazakhstan. 1724 F St. NW.

-- 10:30 a.m.: Global Situation Room Inc. hosts a daylong series of discussions on the state of trade under the Trump administration, including panels on "NAFTA, TPP and CHINA: Will Trump Turn Tradeoff?" and "Translating Trump on Trade." Northern Virginia Chamber of Commerce, 7900 Westpark Drive #A550, Tysons, Va.

-- 3:30 p.m.: The Henry L. Stimson Center holds a discussion on "Trade with Middle Income Countries: Making Up for Lost Time," with speakers including Rep. Sander Levin (D-Mich.). Stimson Center, 1211 Connecticut Avenue NW, Eighth Floor.

Submit your events to tradecalendar@politicopro.com.

THAT'S ALL FOR MORNING TRADE! See you again soon! In the meantime, drop the team a line: abehsudi@politico.com and @abehsudi; mcassella@politico.com and @mmcassella; dpalmer@politico.com and @tradereporter; srodriguez@politico.com and @sabrod123; jlauinger@politico.com and @jmlauinger; and pjoshi@politico.com and @pjoshiny. Also follow us @POLITICOPro and @Morning_Trade.

To view online:
https://subscriber.politicopro.com/newsletters/morning-trade/2018/06/trumps-approach-on-china-go-big-or-go-home-258325

Stories from POLITICO Pro

Trump orders tariffs on $200B more Chinese goods Back

By Doug Palmer | 06/18/2018 08:20 PM EDT

President Donald Trump on Monday raised the stakes in a growing trade dispute with China, ordering trade officials to draw up a list of $200 billion worth of Chinese goods that would be hit with an additional 10 percent tariff.

The move, which drew a strong response from Beijing, follows China's announcement that it would retaliate in kind to Trump's initial decision last week to hit $50 billion worth of Chinese goods with a 25 percent tariff. That stemmed from a U.S. Trade Representative investigation that determined Chinese theft of U.S. intellectual property and forced technology transfers threatened to undermine U.S. competitiveness.

"This latest action by China clearly indicates its determination to keep the United States at a permanent and unfair disadvantage, which is reflected in our massive $376 billion trade imbalance in goods," Trump said in a statement. "This is unacceptable. Further action must be taken to encourage China to change its unfair practices, open its market to United States goods, and accept a more balanced trade relationship with the United States."

The Chinese Commerce Ministry, in a statement translated for POLITICO, blasted the action as an example "of extreme pressure and blackmail" by the Trump administration that flouts international norms for handling trade disputes.

"If the U.S. side becomes irrational and issues a list, China will have to adopt comprehensive measures combining quantity and quality to make a strong countermeasure," the ministry said. "The United States initiated a trade war and violated the laws of the market. It did not meet the current development trend of the world, harmed the interests of the people and enterprises of China and the United States, and harmed the interests of the people of the world."

Trump also promised to keep upping the ante if China retaliates to his latest action. He said he would pursue additional tariffs on another $200 billion worth of goods, for a grand total of $450 billion. That would encompass roughly 90 percent of the $505 billion worth of goods that China exported to the United States in 2017.

In contrast, the United States exported only about $130 billion worth of goods to China last year, so Beijing has far less room to raise tariffs in a way that would immediately affect trade.

Still, U.S. companies had $92.5 billion worth of investments in China as of 2016, many of which could face retaliation by Chinese regulators if Beijing is looking for ways to exert pressure on the United States. Chinese officials have promised to respond accordingly if Trump continues to ratchet up tensions.

U.S. Trade Representative Robert Lighthizer, who spearheaded the investigation leading to Trump's initial tariff threat, put out a statement saying he supports the president's latest move.

"The initial tariffs that the president asked us to put in place were proportionate and responsive to forced technology transfer and intellectual property theft by the Chinese," Lighthizer said. "It is very unfortunate that

instead of eliminating these unfair trading practices, China said that it intends to impose unjustified tariffs targeting U.S. workers, farmers, ranchers and businesses. At the president's direction, USTR is preparing the proposed tariffs to offset China's action."

However, he emphasized no additional duties would be imposed until they have gone through a legal vetting process, which includes taking comments and holding a public hearing.

Trump's proposed new duties, as with the initial tariffs, alarmed the U.S. business community.

"As we've said before, tariffs — at any amount — will not fix the problem of China's unfair practices. We urge the administration to change course and to instead work with our allies on a focused, sustained strategy," a spokeswoman for the U.S. Chamber of Commerce said.

Retail groups also weighed in. National Retail Federation President and CEO Matthew Shay called Trump's threat to impose duties on $200 billion worth of additional goods "a reckless escalation."

"This is a global trade war, plain and simple, and the American families will be the ones who suffer most," added Hun Quach, vice president of international trade for the Retail Industry Leaders Association.

U.S. equipment manufacturers said Trump's action was "terrible news" that would effectively wipe out all of the gains the industry has seen from tax reform and regulatory relief.

"While the White House is chasing some imaginary trade deficit, it will have very real consequences for the 1.3 million men and women of our industry. We should be creating more jobs, not wiping them out," said Kip Eideberg, vice President for public affairs and advocacy at the Association of Equipment Manufacturers.

The initial U.S. tariffs are aimed at items such as semiconductors, electronics, plastics and other goods from sectors expected to benefit from China's "Made in 2025" initiative to dominate the world in technology areas such as robotics, driverless cars and advanced medical devices.

China's proposed retaliatory tariffs on the United States target farm goods such as soybeans, as well as chemicals, oils and seafood.

The first tranche of the U.S. duties on goods totaling $34 billion will go into effect July 6, with the remaining $16 billion imposed at a later date. China is following a similar schedule.

Trump's latest tariffs Monday came on the same day the Senate voted to reverse the Commerce Department's recent move to save Chinese telecommunications giant ZTE by lifting a seven-year ban on the company doing business with U.S. firms, which was imposed after ZTE was found violating the terms of 2017 penalty agreement.

Commerce's deal, made at Trump's request after he spoke on the phone with Chinese President Xi Jinping, was strongly opposed by a bipartisan group of senators who see ZTE as a serious national security risk. The company was originally fined $1.2 billion in 2017 for making illegal sales to Iran and North Korea.

The latest Commerce Department penalties require ZTE to pay an additional $1 billion fine, put in place a new management team and allow the United States to select a team of compliance officers.

To view online click here.

Back

Senate rejects Trump's rescue of Chinese firm ZTE Back

By John Hendel | 06/18/2018 06:54 PM EDT

The Senate voted Monday to reimpose the U.S. ban on Chinese telecom giant ZTE, in a rebuke to President Donald Trump and his efforts to keep the company in business.

The provision targeting ZTE was part of the National Defense Authorization Act, H.R. 5515 (115), a must-pass defense spending bill that cleared the Senate by a vote of 85-10. It must now be reconciled with the House version of the measure, which takes a narrower approach to ZTE.

The vote raises the stakes in Congress' brewing confrontation with Trump over the Chinese company, which lawmakers of both parties consider a national security threat to U.S. networks.

In a sign of the broad backing for the effort, Republican Sens. Tom Cotton of Arkansas and Marco Rubio of Florida as well as Democrats like Minority Leader Chuck Schumer of New York and Elizabeth Warren of Massachusetts pushed for the ZTE ban to be included in the defense bill.

The White House has been scrambling to avert a showdown on the issue, dispatching Commerce Secretary Wilbur Ross to Capitol Hill last week and warning that any congressional action on ZTE should respect "the separation of powers."

Trump will meet Wednesday with some Republicans on ZTE, Senate Majority Whip John Cornyn (R-Texas) told POLITICO, although he didn't say how many lawmakers would attend and whether the group would include any Democrats.

"I think the president wants to weigh in, and we want to listen to what he has to say," Cornyn said, adding that "obviously there's conflict" between the administration and Congress on the issue.

The Commerce Department initially imposed a seven-year ban in April on American companies doing business with ZTE, saying the Chinese telecom violated a 2017 agreement by conducting illegal sales to North Korea and Iran. But ZTE soon became a pawn in Trump's trade negotiations with China.

The company is the fourth-largest vendor of mobile phones in the U.S. but depends on U.S. chipmakers to provide many of the electronic components — and warned it would not be able to survive being shut out of the American market.

Trump tweeted in May that he and Chinese President Xi Jinping were working on a way to get ZTE "back into business, fast," adding, "Too many jobs in China lost." The president said he'd instructed the Commerce Department to figure out a way to do it.

A subsequent deal announced by the agency would allow the Chinese company to operate in the U.S. if it pays a $1 billion fine, changes its management and embeds a compliance team.

That reversal alarmed lawmakers who have warned for years that China could harness equipment sold by ZTE and another homegrown telecom giant, Huawei, to steal data, eavesdrop on conversations or even carry out cyberattacks in the U.S.

The Senate's ZTE provision would force Trump to certify that Chinese telecoms have not violated U.S. law for a full year and are cooperating with U.S. investigators before any lifting of civil penalties. It would also prevent the U.S. government from purchasing or subsidizing equipment from ZTE and Huawei.

Despite Monday's overwhelming Senate passage, the ZTE ban could still be stripped from the defense bill or modified during the conference process between the Senate and House, which did not push back as aggressively in its own version of the legislation. House lawmakers did include a provision that would bar ZTE and Huawei from entering into U.S. government contracts.

The White House has not said whether Trump would veto the legislation if it includes the ZTE reversal. To beat a veto, Congress would need two-thirds majorities in both chambers, which is less certain in the House where the president has many GOP allies. Vulnerable House Republicans may also be reluctant to cross Trump with the 2018 midterms on the horizon.

Senate Democrats warned Republicans not to water down language on ZTE in their negotiations with the administration.

"I hope our Republican colleagues will let the president know that they're going to remain firm on this," said Sen. Chris Van Hollen (D-Md.), adding that the White House appears to be "putting on a full court press" to lobby lawmakers.

"They cannot allow ZTE off the hook the way the administration's let them off the hook," he said.

Sen. David Perdue (R-Ga.), a frequent ally of Trump, unsuccessfully sought to strip the provision out of the defense bill last week and still wants to target it through the conference process.

He said the U.S. needs to be competitive with the rest of the world, arguing, "This cannot happen if we tie the hands of our commander in chief during critical trade negotiations."

To view online click here.

Back

Senate passes CFIUS overhaul in bid to crack down on Chinese investment Back

By Zachary Warmbrodt | 06/18/2018 06:40 PM EDT

The Senate today passed a major Chinese investment crackdown as part of a wide-ranging defense bill, H.R. 5515 (115).

The bill includes a bipartisan expansion of the Committee on Foreign Investment in the United States, a Treasury-led panel tasked with reviewing foreign takeovers of U.S. companies for national security concerns. The Senate passed the bill in a 85-10 vote.

Lawmakers have framed the legislation as part of an effort to blunt the ability of China and other nations to acquire U.S. technologies critical to national security.

WHAT'S NEXT: The House Financial Services Committee has drafted a similar CFIUS overhaul, H.R. 5841 (115), but it was not attached to the House's defense bill. Lawmakers are expected to work out differences between the House and Senate defense packages in the coming weeks.

To view online click here.

Back

'The Republicans' new Katrina': GOP fears backlash to splitting families Back

By Burgess Everett, John Bresnahan and Rachael Bade | 06/18/2018 06:27 PM EDT

Republicans want to talk about tax cuts. Instead, they're talking about kids in cages.

Rather than touting lower taxes and a steady job market, House and Senate Republicans are being forced to answer for President Donald Trump's contentious immigration policies — whether it's separating migrant kids from their parents, removing DACA protections or building a border wall. And that's likely bad news heading into November.

"The whole thing is a hot mess," said Sen. John Kennedy (R-La.), who opposes splitting up families at the border but otherwise supports the administration's stepped-up enforcement policies.

Even as the White House blames Congress for the crisis at the border, GOP lawmakers are struggling to craft a proposal that unites their own party, let alone one that can win bipartisan support and become law. And with no congressional solution in sight, Hill Republicans worry that Trump's immigration crackdown could swamp their success on the economy and overshadow all the things they want to run on in the midterm elections.

"It's something, as a dad, that bothers me. It's something that bothers a lot of people," said National Republican Congressional Committee Chairman Steve Stivers of Ohio. "I'm sure on its own, if you ask people, it probably doesn't look good."

"It's a tragedy, what is going on. And it is not helpful to the president achieving his goals on immigration reform," added Sen. Susan Collins (R-Maine). "It's not helpful in any way."

And the renewed focus on immigration is almost all self-inflicted, from Trump's decision to end the Obama-era Deferred Action for Childhood Arrivals program to his relentless focus on the border wall to his "zero tolerance" policy for border-crossers, which has already led to more than 2,300 children being separated from their parents.

But the administration's decision to separate children from parents has elevated the issue to one now consuming national politics. Hugh Hewitt, a leading conservative media voice, raised the prospect that the family separation crisis could become "the Republicans' new Katrina and the president's new Katrina" in an interview with Sen. Pat Toomey (R-Pa.) on Monday.

"Yes. I suppose it could. ... Clearly, the country is focused on this. Clearly, it's a horrendous situation if a small child is being taken away from the child's actual mother," Toomey responded. "We've got to solve this problem."

Republicans from former first lady Laura Bush to Ohio Gov. John Kasich have called for the Trump administration to halt family separation at the border, and GOP senators are publicly calling on the administration to explain itself.

Even Senate Chaplain Barry Black appeared to bash the Trump policy on Monday.

"As children are being separated from their parents, remind us to love our neighbors as ourselves and to protect the most vulnerable in our world," Black said as he opened the Senate with a prayer.

But Trump is defiant — blaming Democrats and saying it's up to Congress to close legal "loopholes."

"All the problems that we're having, I say it very strongly — it's the Democrats' fault," Trump said on Monday afternoon, adding that the United States "will not be a migrant camp, and it won't be a refugee holding facility."

"Congress alone can fix it," DHS Secretary Kirstjen Nielsen told reporters.

Not everyone is buying it. Sen. Orrin Hatch (R-Utah), said that while Congress can change the law, "the White House can fix it if they want to."

Yet the president is receiving plenty of cover from Republican leaders, who blamed the minority party for refusing to embrace Trump's immigration proposals.

"They think they're winning on the narrative," Senate Majority Whip John Cornyn (R-Texas) said of the White House. "They think the politics are good for them."

Cornyn is convening a small group of Republican senators to see if they can craft a "reasonable" legislative solution. He said there's "urgency" to getting a solution."

A new Quinnipiac University poll shows that 66 percent of Americans who participated in the survey oppose Trump's move to separate migrant kids from their parents. But 55 percent of Republicans back the action.

Meanwhile, lawmakers on both sides of the aisle doubt that they'll be able to pass narrow legislation dealing with the family separation issue without getting bogged down in the broader immigration debate that's divided the country and both parties for years. And that leaves Republicans essentially in a holding pattern.

"This is insane. You're getting mixed signals from different people in the administration, whether it be [Homeland Security] or the Justice Department. Nobody seems to know what the hell is going on," said a House Republican lawmaker. "Democratic lawmakers are going down to these detention centers: It's bad."

For years, Republicans have blasted immigration policies directing border patrol agents to release undocumented families into the U.S. while awaiting court dates. The system, they say, was often abused, as many undocumented immigrants skipped their court dates and disappeared in the country.

But the alternative, they're finding, is just as unsavory. Since migrant children may be held for only a few days, agents are separating the kids from their detained parents. Under a new House-proposed solution, kids would be kept with their parents — though kept in detention facilities longer.

House Republicans will vote Thursday on a pair of immigration bills that include the provision intended to keep families together, though immigrants-rights advocates are already blasting the Plan B as unhelpful. Some GOP leaders believe the pressure to find a solution to the crisis may end up winning them more support for a bill

they've struggled to negotiate with conservative and moderate Republicans, though they acknowledge it could also have the reverse effect.

Rep. Carlos Curbelo (R-Fla.), a moderate from a South Florida swing district, said Monday that he is trying to add more provisions to the bill to "keep families together."

"The goals of keeping children with their parents and enforcing our immigration laws are not mutually exclusive," he said. Other moderate Republicans, however, have expressed skepticism about the proposed fix.

Regardless, both the leadership-crafted measure and a more conservative immigration bill face difficult roads to passage. GOP leaders are privately downplaying expectations, acknowledging that it will be up to Trump to help them get the plan over the finish line — especially after he initially panned it in an interview with Fox News on Friday.

The bill mirrors a Trump-backed framework, providing a path to citizenship for Dreamers and $25 billion for a border wall as well curbing legal immigration.

In the latest sign that the GOP is losing control of the narrative, House Republicans are expected to tout the six-month anniversary of their tax reform package this week. It's doubtful that the news conference, headed by Ways and Means Committee Chairman Kevin Brady and Speaker Paul Ryan, will break through a news cycle focused on immigration.

Asked whether the immigration debate is stepping on the party's message, Sen. Rob Portman (R-Ohio) threw up his hands and said: "It depends on how it's resolved."

Meanwhile, vulnerable lawmakers whose districts have large Latino populations are seeking distance from the administration. Rep. Mario Diaz Balart (R-Fla.) called it "totally unacceptable" and said the administration should examine "any and every other option." Rep. Will Hurd (R-Texas) said "taking children away from their mommies isn't going to stop terrorists or drugs from coming into our country."

In the Senate, national Republicans announced a new ad touting Sen. Dean Heller's (R-Nev.) work on veterans' affairs. But that could all be drowned out by the border crisis in his diverse state. A spokeswoman said Heller "doesn't support separating children from their families, and he believes that this issue highlights just how broken our immigration system is and why Congress must act to fix it."

The issue could also affect Republicans' message in other states with large Latino populations like Arizona and Florida. Gov. Rick Scott (R-Fla.), who is running for the Senate, said he does "not favor separating families."

In contrast, all 49 Senate Democratic Caucus members have endorsed a bill that would end the family separation policy. But even moderate Republicans like Collins have rejected that bill as too "broad" and said it would make it too difficult to prosecute law-breaking adults.

"I've heard countless Republicans say that they oppose children being taken from their parents," said Sen. Dianne Feinstein (D-Calif.), the measure's lead sponsor. "If that's true, they should support our bill."

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Back

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From: Nick Giordano
Sent: Tuesday, September 4, 2018 9:46 PM
To: raymond.starling@osec.usda.gov
Subject: Global Business Dialogue Comments 6-29-18.doc
Attachments: Global Business Dialogue Comments 6-29-18.doc

Ray,

I worked from these notes. I went off script a couple of times. But, this is the main course.

Nick

Remarks on Trade Disputes

Nicholas D. Giordano
Vice President and Counsel Global Government Affairs
National Pork Producers Council

The Global Business Dialogue

June 29, 2018

The National Pork Producers Council (NPPC) is an association of 42 state pork producer organizations that serves as the global voice for the U.S. pork industry. NPPC represents the interests of America's 60,000 pork producers.

In 2017, pork producers marketed just over 120 million hogs. Those hogs generated total cash receipts of more than $20 billion and supported 550,000 U.S. jobs.

Pork is the number one meat protein consumed in the world. And, the past ten years the United States, on average, has been the top global exporter of pork. In any given year U.S. pork is shipped to over 100 nations. The U.S. typically is the low-cost pork producer in the world. So, when you couple affordability with safety and quality that are second to none, you can see why consumers worldwide value U.S. pork.

Exports of pork add significantly to the bottom line of each and every U.S. pig farmer. U.S. exports of pork and pork products in 2017 totaled 5.4 billion pounds – a record – valued at nearly $6.5 billion.

That represented almost 27 percent of U.S. production, and those exports added more than $53 to the value of each hog marketed. (To put that in context, the average price received for a market hog in 2017 was $147.) Exports support approximately 110,000 jobs in the U.S. pork and allied industries.

Because U.S. pork is an export juggernaut, it is an attractive candidate for trade retaliation. Our industry has the dubious distinction of being on three retaliation lists: China and Mexico 232 and, China 301.

Those are very important export markets for us. Mexico is our largest volume market and our No. 2 value market, taking almost 802,000 metric tons of pork worth more than $1.5 billion in 2017. China was our No. 2 volume market at more than 495,000 metric tons and our No. 3 value market at $1.1 billion last year.

There is never a good time to have an export disruption but, the timing here is particularly bad. The U.S. pork industry is in the middle of an export-driven expansion, with production projected to grow by about 5 percent in 2018.

As the world's most competitive producer of pork, the U.S. pork industry was anticipating increases in access to Japan and Vietnam through the Trans-Pacific Partnership and was counting on shipping more pork under prior U.S. free trade agreements.

Obviously, things have changed.

Ambassador Gregg Doud, the chief agricultural negotiator with the Office of the U.S. Trade Representative, summed it up recently by telling our pig farmers, "the lead tip of the spear in all of this right now is your pork."

A January 2018 Iowa State University analysis had forecast modest profits for the year. But now, those retaliatory tariffs are expected to result in producer losses for the year of $17.13 per pig -- meaning industry losses in excess of $2 billion.

While our producers are feeling financial pain, they also recognize that the Administration is trying to make global trade more reciprocal and advantageous to the United States.

The Administration recently opened a couple of new markets to U.S. pork – Argentina and Paraguay – and the Administration is working with us to open several other markets such as Brazil, India, and Thailand.

Our producers understand that the administration is balancing many interests in trying to realign U.S. trade policy. And, that putting trade and economic security at the center of national security and foreign policy; redefining the trade relationship with China; and, modernizing the NAFTA are very complex matters.

Producers also know that the president is committed to strengthening American agriculture and the rural economy, and they acknowledge that the tax and regulatory reforms he has implemented have set a course for significantly improved economic growth.

President Trump, Agriculture Secretary Perdue and other administration officials have made it clear that they have the back of the American farmer.

The Administration has told us it will take steps to mitigate pork producers' pain.

We are not asking for payments to producers. The best outcome for us is a restoration of lost trade and the opportunity to increase exports. So, it should come as no surprise that we are very eager to see a completed NAFTA deal that, among other things, will exclude Mexico and Canada from 232 tariffs. And, we are eager to see a deal with China to resolve the problems at issue. Moreover, we are clamoring for FTA negotiations with Japan. That nation is our top value export market and we are very concerned about the impact of the EU-Japan FTA and the CPTPP on our exports.

Pig farmers are on the front lines of a realignment in U.S. trade policy. They are showing tremendous fortitude and patience. But, make no mistake, it is a very painful place to be.

We had a financial collapse in our industry 20 years ago. It was horrible to see people you know lose everything they worked for. I will never forget it. Thank

goodness, we are not at that point. But, the longer this retaliation continues, the more difficult it will become.

I would ask all of you as potential consumers to think about our pig farmers as you make your food choices this Fourth of July and throughout the summer. Whether you are republican or democrats. Pro-trade or anti-trade. Our pig farmers are hurting. Please show them some love and eat lots of pork.

Thank you.

From: Nick Giordano
Sent: Tuesday, October 16, 2018 5:27 PM
To: Ray A. Starling
Subject: Fwd: Trade News Has Pork Producers Feeling Optimistic

Sent from my iPhone

Begin forwarded message:

> **From:** NPPC News <news@nppc.org>
> **Date:** October 16, 2018 at 4:45:32 PM EDT
> **Subject: Trade News Has Pork Producers Feeling Optimistic**

PRESS RELEASE

Trade News Has Pork Producers Feeling Optimistic

WASHINGTON, D.C., Oct. 16, 2018 – News on the trade front is getting better for U.S. pork producers as the administration today announced it wants to negotiate trade agreements with the European Union, Japan and th United Kingdom. The National Pork Producers Council commended the administration for its ambitious trade a The administration recently updated agreements with Canada and Mexico and with South Korea that maintaine U.S. pork industry's zero-tariff access to those important markets, three of the top five destinations for U.S. por exports.

"We've got the momentum on trade headed in the right direction now," said NPPC President Jim Heimerl, a por producer from Johnstown, Ohio. "Producers are hurting because of retaliatory tariffs on pork, which were promp the administration's efforts to realign U.S. trade policy. But producers have been patient, and now that patience starting to pay off, particularly if we get a trade deal with Japan."
Since Trump took office in January 2017, NPPC has been urging the White House to begin trade talks with cou the fast-growing Asia-Pacific region, beginning with Japan, the U.S. pork industry's No. 1 export market. It also called for deals with the Philippines and Vietnam.
NPPC also has been supportive of trade negotiations with the United Kingdom, provided that the U.K. is willing eliminate all non-tariff barriers and embrace U.N. food-safety standards and other international standards.

"NPPC will not support a deal with the U.K. unless it agrees to equivalence, meaning that all USDA-approved p pork products must be eligible for export to the U.K. without additional requirements," Heimerl said.
And while the organization is open to trade negotiations with the U.K., it is skeptical about EU intentions.

"The EU has played the United States like a drum in the past," said Heimerl. "This must stop. We expect the Tr administration to require the EU to eliminate all tariff and non-tariff barriers to U.S. pork so we can export with r additional requirements."

While the trade news is good for U.S. pork producers, NPPC is continuing to press the Trump administration to trade disputes with China and Mexico, including dropping tariffs on steel and aluminum imports from the latter. countries imposed retaliatory tariffs on U.S. pork in response to the U.S. metals duties.

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NPPC is the global voice for the U.S. pork industry, protecting the livelihoods of America's 60,000 pork pro who abide by ethical principles in caring for their animals, in protecting the environment and public health a providing safe, wholesome, nutritious pork products to consumers worldwide. For more information, visit www.nppc.org.

NATIONAL PORK PRODUCERS COUNCIL

NPPC Contacts:
Jim Monroe, Senior Director, Communications, monroej@nppc.org
Dave Warner, Director, Communications, warnerd@nppc.org
Phone: (202) 347-3600

From: Starling, Raymond - OSEC, Washington, DC
To: Nick Giordano
Subject: Re: NPPC Lauds Trade Progress With Philippines
Date: Tuesday, October 23, 2018 8:01:17 AM
Attachments: image010.png
image011.png
image012.png
image013.png
image014.png
image015.png
image016.png

Thanks, as always, Nick.

Ray A. Starling
USDA

From: Nick Giordano [redacted]@nppc.org>
Sent: Tuesday, October 23, 2018 7:50:17 AM
To: Starling, Raymond - OSEC, Washington, DC
Subject: FW: NPPC Lauds Trade Progress With Philippines

This went out yesterday and was picked up by a number of publications.

From: NPPC News
Sent: Monday, October 22, 2018 10:08 AM
Subject: NPPC Lauds Trade Progress With Philippines

PRESS RELEASE

NPPC Lauds Trade Progress With Philippines

WASHINGTON, D.C., October 22, 2018 – The National Pork Producers welcomed progress by the Trump administration on a number of issues under the bilateral Trade and Investment Framework Agreement (TIFA) with the Philippines. NPPC hopes the progress on these issues moves the United States closer to initiating free trade agreement negotiations with the Philippines, a priority market for U.S. pork producers.

"The Philippines is a large pork-consuming nation, with a fast-growing population and a burgeoning middle class," said Jim Heimerl, NPPC president and a pork producer from Johnstown, Ohio. "It also has some of the highest food prices of any Southeast Asian nation and would benefit from a free trade agreement with the United States."

Last year, the United States shipped nearly $100 million of pork to the Philippines. U.S. pork sales to the country would grow significantly through a free trade agreement that removes tariff and non-tariff barriers to trade.

"We thank the Trump administration for the steps it is taking to expand U.S. pork access to many international markets, including the Philippines," Heimerl added. "Pork is one of the most competitive U.S. export products and sustains more than 500,000 jobs in rural America."

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NATIONAL PORK PRODUCERS COUNCIL

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Dave Warner, Director, Communications, warnerd@nppc.org
Phone: (202) 347-3600

From: Nick Giordano
Sent: Thursday, May 18, 2017 11:26 AM
To: Klippenstein, Brian - OSEC, Washington, DC
Subject: Fwd: NAFTA Modernization Must Not Disrupt Pork Exports

Sent from my iPhone

Begin forwarded message:

> **From:** NPPC News <news1@nppc.org>
> **Date:** May 18, 2017 at 11:20:22 AM EDT
> **Subject: NAFTA Modernization Must Not Disrupt Pork Exports**

NATIONAL PORK PRODUCERS COUNCIL

PRESS RELEASE

Contact: Dave Warner | (202) 347-3600 | warnerd@nppc.org

NAFTA Modernization Must Not Disrupt Pork Exports

WASHINGTON, D.C., May 18, 2017 – Following today's notification by the Trump administration to Congress that it intends to modernize the trade agreement among the United States, Canada and Mexico, the National Pork Producers Council urged the president to make sure that tariffs remain at zero for pork traded in North America.

The White House today officially notified the Senate Finance and House Ways and Means committees, which have jurisdiction over trade, that the administration will update the 23-year-old North American Free Trade Agreement (NAFTA). The notification begins a 90-day period in which Trump trade officials must consult with Congress on the objectives of the trade talks; 30 days prior to negotiations starting, the administration must make public a "detailed and comprehensive summary of the specific objectives" for a new agreement.

NPPC committed to work with the administration to preserve tariff-free market access for U.S. pork exports to Canada and Mexico, which last year were almost $799 million and nearly $1.4 billion, respectively.

"Canada and Mexico are top pork export markets. We absolutely must not have any disruptions in exports to our No. 2 (Mexico) and No. 4 (Canada) markets," said NPPC President Ken Maschhoff, a pork producer from Carlyle, Ill.

Since NAFTA went into effect Jan. 1, 1994, U.S. trade north and south of the borders has more than tripled, growing more rapidly than U.S. trade with the rest of the world. Canada and Mexico are the two largest destinations for U.S. goods and services, accounting for more than one-third of total U.S. exports, adding $80 billion to the U.S. economy and supporting more than 3 million American jobs, according to data from the Office of the U.S. Trade Representative. In fact, U.S.

manufacturing exports to Canada and Mexico have increased nearly 260 percent over the past 23 years, and U.S. farm exports to the countries have grown by more than 150 percent.

Under Trade Promotion Authority (TPA), which Congress approved in June 2015 and which covers trade agreements reached before July 1, 2018, the administration is required to give lawmakers 90-days' notice prior to entering talks on a trade deal that would require changes in U.S. law needed to comply with the agreement. TPA also requires Congress to consider agreements it receives within a specified time and to vote for or against them without amendments.

"U.S. pork trade with Canada and Mexico has been very robust, and we need to maintain and even improve that trade," Maschhoff said. "We will work with the Trump administration to do that as it reviews the existing trade deal with our North American neighbors."

[Click here to read the administration's notification letter to Congress.]

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From: Nick Giordano
Sent: Thursday, May 25, 2017 8:00 AM
To: Klippenstein, Brian - OSEC, Washington, DC
Subject: NPPC NAFTA White Paper -- Embargoed until 9AM
Attachments: NAFTA White Paper News Release 5-25-17.doc; NAFTA White Paper 5-24-17.pdf

Brian,

Attached is a NAFTA White Paper that NPPC will release at 9AM this morning in connection with my presentation at the Global Business Council event. The paper focuses primarily on Mexico given the discussion in the United States. We are committed to both preserving past benefits as well as working to make the agreement even better.

Nick

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NATIONAL PORK PRODUCERS COUNCIL

PRESS RELEASE

Contact: Dave Warner | (202) 347-3600 | warnerd@nppc.org

NPPC White Paper Details Benefits Of NAFTA

WASHINGTON, D.C., May 25, 2017 – Following last week's notification by the Trump administration that it will renegotiate the North American Free Trade Agreement (NAFTA), the National Pork Producers Council today released a white paper on the benefits of the trade deal among the United States, Canada and Mexico.

The paper, which focuses primarily on trade with Mexico, makes the case for not abandoning the 23-year-old pact and for not disrupting trade in sectors for which the agreement has worked well, including U.S. pork. Mexico is the No. 2 export market for U.S. pork, and Canada is No. 4.

For all U.S. goods and services, Canada and Mexico are the top two destinations, accounting for more than one-third of total U.S. exports, adding $80 billion to the U.S. economy and supporting more than 14 million American jobs, according to U.S. government data.

While considerable attention has been given to the $63 billion trade deficit the United States has with Mexico, NPPC's paper highlights two key facts: When NAFTA took effect Jan. 1, 1994, trade between the United States and Mexico was only $50 billion each way. Last year, U.S. exports to Mexico were nearly quintuple that amount at $231 billion, and those exports supported 5 million U.S. jobs. And while imports to the United States from Mexico were $294 billion, those, too, supported millions of U.S. jobs. (Nearly 40 percent of Mexican imports include U.S. content.)

For U.S. agriculture, Canada and Mexico are the second and third largest foreign markets. They imported more than $38 billion of U.S. products in 2016, or 28 percent of all U.S. agricultural exports. Those exports generated more than $48 billion in additional business activity throughout the economy and supported nearly 287,000 jobs.

Disrupting U.S. agricultural exports to Mexico and Canada, the NPPC paper points out, would have devastating consequences for America's farmers and for the U.S. processing and transportation industries. U.S. pork producers would be particularly hard hit.

Iowa State University economist Dermot Hayes calculated that if Mexico placed a 20 percent duty on U.S. pork – a likely response to a U.S. withdraw from NAFTA – and allowed other countries duty-free access, the U.S. pork industry eventually would lose the entire Mexican market. That equates to a loss of 5 percent of U.S. pork production, which would reduce the U.S. live hog market by 10 percent at a cost of $14 per hog, or a nearly $1.7 billion aggregate loss to the industry.

"A loss in exports to Mexico of that magnitude would be cataclysmic for the U.S. pork industry," said Nick Giordano, NPPC's vice president for global government affairs, who will share highlights of the paper at the "NAFTA: From Cars to Carrots" panel discussion hosted by the Global Business Dialogue later today. "Pork producers will support updating and improving NAFTA but only if duties on U.S. pork remain at zero and pork exports are not disrupted."

The NPPC paper also notes that NAFTA has provided benefits beyond trade, including improved relations with Canada and Mexico, better regional investment and supply chains, increased cooperation with Mexico in fighting drug trafficking and terrorism and greater political stability in that country. [Click here to read the white paper.]

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NATIONAL PORK PRODUCERS COUNCIL

WHITE PAPER

The Global Voice of the U.S. Pork Industry

Modernizing NAFTA and Safeguarding U.S. Interests

A Summary of Issues and Risks

National Pork Producers Council

May 2017

Modernizing NAFTA and Safeguarding U.S. Interests

U.S. Trade Representative Robert Lighthizer on May 18 wrote to the chairmen and ranking members of the respective House and Senate trade oversight committees, officially notifying them of the Trump administration's intention to enter into negotiations with Mexico and Canada to modernize the North American Free Trade Agreement (NAFTA). These negotiations can begin after a 90-day consultative period, during which the administration must provide Congress with a formal statement of its objectives for the negotiations.

This paper is intended to provide some clarity to the debate over NAFTA with respect to the benefits it has achieved and the costs associated with either erecting new import barriers through the renegotiation or withdrawing from it altogether. Because most of the impetus for NAFTA renegotiation or withdrawal has been based on our bilateral trade with Mexico, this paper focuses largely on that.

We recognize that there are sections of our economy that have not benefitted from expanded trade the way others have, and we are sensitive to their situation. We support the administration in addressing such concerns in a complementary manner that does not cause other problems for our sector and for other sectors of the economy.

To that end, we believe it is vital that U.S. negotiators, stakeholders and members of Congress have a full understanding of NAFTA's benefits and the need to avoid putting those benefits at risk in this renegotiation process. First and foremost, it is essential that we do no harm.

The paper is divided into the following sections:

Section I: NAFTA – The Big Picture

NAFTA was negotiated during the presidency of George H.W. Bush and signed by him Dec. 17, 1992. It was approved by Congress a year later and took effect Jan. 1, 1994. NAFTA replaced and built upon the previously negotiated U.S.-Canada FTA, which had been implemented in 1989.

After 23 years, NAFTA is in need of updating. Subsequent U.S. free trade agreements have included stronger provisions in such areas as sanitary and phytosanitary measures in agriculture, labor, the environment, regulatory coherence, intellectual property rights, services, investment and e-commerce, to name a few. Each of the three NAFTA countries will have its own list of priorities for a modernized agreement.

The one thing a renegotiation of NAFTA (or its failure) must <u>not</u> do is to scuttle it. Despite the picture painted by critics of the agreement, NAFTA can be credited with some important accomplishments not only in trade but in improved relations, regional investment and supply chains, not to mention cooperation in fighting drug trafficking and terrorism and greater political stability in Mexico.

But trade is where the focus is today and the debate is over jobs.

"*NAFTA destroyed this country. It took all the jobs.*" – A U.S. small business owner quoted in the *Wall Street Journal*.[1]

This is no doubt a commonly held view in many parts of the United States, and the principal culprit is seen as Mexico. There is no debating the fact that jobs have been created in Mexico (and lost in Mexico) and jobs have been lost in the United States (and created in the United States) because of NAFTA. Critics focus almost entirely on the trade deficit with Mexico and the jobs "lost" because of it. But it is important to put our bilateral trade with Mexico in its proper context.

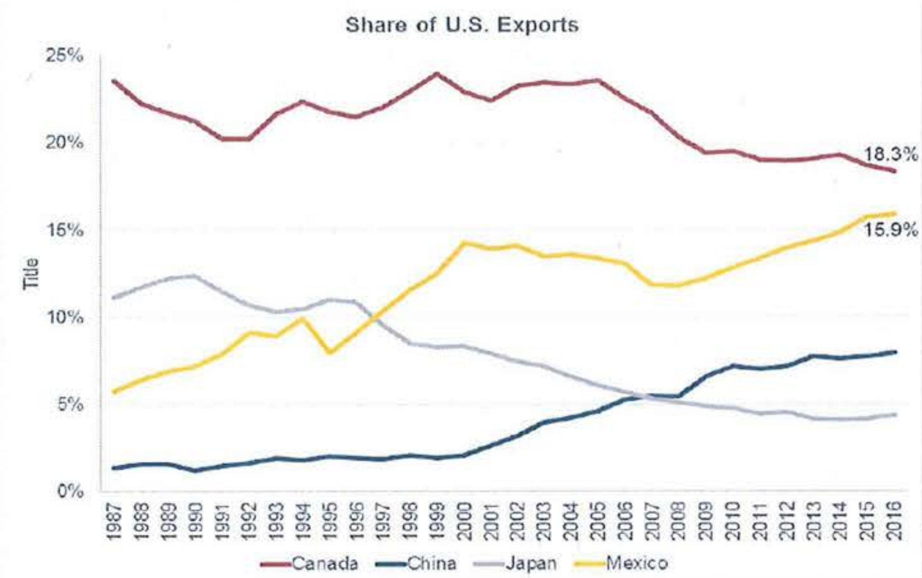
In 1994, our trade with Mexico was roughly in balance at about $50 billion each way. By 2016, our exports to Mexico had nearly quintupled to $231 billion, and these now support some 5 million jobs. Imports from Mexico have grown even more, to $294 billion, and these also support millions of jobs in Mexico. In short, NAFTA created many jobs in the United States and, no doubt, even more in Mexico. This begs the question: Would we be better off if we reverted to balanced trade at $50 billion each way and sacrificed the jobs that exist today because of our increased trade with Mexico under NAFTA?

No one can deny that American jobs did go to Mexico as a result of plant closings, but it is inaccurate to say that trade under NAFTA resulted in lost jobs here, without recognizing the millions of jobs it created, particularly when one also considers that close to 40 percent of United States imports from Mexico include U.S. content. Twenty years ago that would have been less than 5 percent.[2]

Other factors to consider:

- Canada and Mexico are our first and second largest export markets for all goods, totaling nearly half a trillion dollars in 2016, $266 billion to Canada and $231 billion to Mexico. That equates to almost $40,000 in export revenue for each American factory worker.

- Together exports to Canada and Mexico account for over a third of U.S. exports to the world. The following chart shows how this compares with China and Japan.



U.S. Census Bureau International Trade Data

- Cumulative U.S. goods exports to our North American neighbors support some 14 million U.S. jobs. Those jobs make possible the $1.36 billion in products we ship to Mexico and Canada each day.

- Removing bilateral trade in oil and gas from the equation, over the past five years our cumulative trade deficit with Canada and Mexico totaled only $6 billion (See chart below). That represents one-tenth of 1 percent of total non-gas and oil trade with Mexico and Canada over that period.

Cumulative 5-Year (2012-2016) Trade and Balances with Canada and Mexico Excluding Oil and Gas (Billions of Dollars)

	U.S. Exports	U.S. Imports	Balance
Canada	1,403	1,222	+182
Mexico	1,133	1,321	-188
Total	2,536	2,542	-6

Source: USITC at https://dataweb.usitc.gov

- The United States actually ran a cumulative trade surplus in manufactured goods of more than $27 billion with Mexico and Canada over the past five years.

Cumulative 5-Year (2012-2016) Trade in Manufactured Products with Canada and Mexico (Billions of Dollars)

	U.S. Exports	U.S. Imports	Balance
Canada	1,202	990	+212
Mexico	982	1,167	-185
Total	2,184	2,157	+27

Source: USITC at https://dataweb.usitc.gov

- As a result of NAFTA, Mexico made substantially deeper cuts in tariffs and other import restrictions on U.S. goods than did the United States on barriers to Mexican goods. If NAFTA were to be dissolved, Mexico would have the right to re-impose those much higher tariffs on our goods, likely making the trade deficit bigger.[1] (See table below.)

What Happens to Tariffs on Trade between the U.S. and Mexico If the U.S. Pulls Out of NAFTA?

Percent						
	Agriculture		Non-Agriculture		All Products	
	NAFTA	No NAFTA	NAFTA	No NAFTA	NAFTA	No NAFTA
U.S. Tariffs on Mexican Goods	0[2]	4.8 (Bound) 5.2 (Applied MFN)	0	3.3 (Bound) 3.2 (Applied MFN)	0	3.5 (Bound) 3.5 (Applied MFN)
Mexican Tariffs on U.S. Goods	0	45.0 (Bound) 15.6 (Applied MFN)	0	34.8 (Bound) 5.7 (Applied MFN)	0	36.2 (Bound) 7.1 (Applied MFN)

Source: WTO World Tariff Profiles, 2016, https://www.wto.org/english/res_e/booksp_e/tariff_profiles16_e.pdf

- Mexico has free trade agreements with many other countries. Without NAFTA, those countries would immediately secure huge competitive advantages over potentially thousands of U.S. products in the Mexican market. And Mexico is already looking at additional agreements in Asia, with TPP dead and the United States threatening to pull out of NAFTA. (See the table on the next page.)

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[1] It should be noted that Mexico's "applied" MFN average tariff on all products is 7.1 percent, and the U.S. "applied" average is 3.5 percent. In theory, the tariffs that make up these averages would be the maximum the two countries could apply to each other if NAFTA were dissolved (since those are the levels of tariffs that they "apply" to imports of products from other WTO members). However, in a situation where the United States unilaterally imposed higher tariffs on Mexican goods to attempt to achieve balanced trade, such tariffs would certainly have to exceed U.S. applied (and no doubt bound) rates. Mexico would then have the ability to raise its tariffs on U.S. products put to its WTO-bound levels shown in the table, without abrogating its WTO obligations. Or, alternatively, Mexico could choose to raise those "applied" tariffs up to their "bound" levels on products from all WTO members (those with which it does not have free trade agreements) to allow it to maximize the restrictive effect on U.S. products. The United States does not have the same option. It's applied and bound tariffs are virtually the same at 3.5 percent.

[2] Does not include special import relief measures on tomatoes and sugar.

Mexico's Current Bilateral and Plurilateral Trade Agreements	
Chile	Also as part of the LAIA
Colombia	Also as part of the LAIA
EFTA	Switzerland, Norway, Iceland, Lichtenstein
European Union	Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
Israel	
Japan	
LAIA - Latin America Integration Assoc.	Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Paraguay, Peru, Uruguay, Venezuela
Central America	El Salvador, Nicaragua, Honduras, Costa Rica, Guatemala
Panama	
Uruguay	Also as part of the LAIA
Peru	Also as part of the LAIA

Source: WTO

- Many U.S. states have close ties to Mexico and substantial export interests there; 31 states export over $1 billion each year to Mexico. Seven states export more than $5 billion – Texas, California, Michigan, Arizona, Illinois, Ohio and Louisiana. It is the largest export market for products from California, Arizona, New Mexico and Texas. It is the second largest export market for 25 other states. At the end of this paper is a state-by-state summary of trade interests with Mexico.

- NAFTA's expanded economic collaboration has created another economic benefit: a boom in intraregional travel by businesspeople, tourists and students. According to the U.S. Department of Commerce, in 2011, Americans made nearly 12 million trips to Canada and spent almost $8 billion there, and they made 20 million trips to Mexico (the top destination for U.S. tourists) and spent over $9 billion there. The United States' neighbors returned the favor, with Canadians making 21 million trips to the United States and spending $24 billion here and Mexicans making more than 13 million trips and spending almost $8 billion.[3]

In any overall assessment of NAFTA, non-economic issues must also be taken into account. As an article in the *Wall Street Journal* put it: "NAFTA advocates say the economic debate misses the bigger point of the deal, which has been to ameliorate longstanding tensions across the border and turn Mexico into a more steadfast U.S. ally. By that standard, they say, the pact has been a great success, fostering more bilateral cooperation on issues from crime to the environment—and keeping Mexico from following the path of left-wing Latin American countries or drifting closer to American rivals like China."

A study by the Pew Research Center found that more Mexican immigrants have returned to Mexico from the United States than have migrated here since the end of the Great Recession. It also found that the overall flow of Mexican immigrants between the two countries is at its lowest level since the 1990s, mostly because of a drop in the number of Mexican immigrants coming to the United States. The vast majority of illegal immigrants arriving in the United States now come from Central America.

In recent years, Mexico has stepped up its presence along its southern border in an effort to help the United States slow immigration from Central America and other parts of the world. Between October 2014 and May 2015, for example, Mexican authorities detained more Central American migrants than the U.S. Border Patrol. Mexico and the United States also collaborate closely on security issues, from intelligence sharing between law enforcement agencies to the Merida Initiative, a bilateral partnership forged in 2007 to help reduce the power of drug trafficking in Mexico.[4]

Summary: NAFTA-The Big Picture

NAFTA is an old trade agreement. In its 23 years, it has accomplished a great deal, but it has also been overtaken by new, unanticipated forms of trade as well as new trade problems. It needs to be modernized. But there are enormous risks associated with withdrawing if efforts to negotiate a more modern agreement fail.

Many more U.S. jobs would be almost immediately lost than could possibly be created by high-protective tariffs, which would inevitably be imposed by all sides. The hardest hit would be the states with the strongest trade and investment ties to Mexico and Canada and sectors and companies that have developed supply chains in Mexico and Canada critical to their businesses.

Especially hard hit would be American farmers and ranchers. The next three sections look into the impact NAFTA has had on the U.S. manufacturing sector, its impact on U.S. agriculture and its impact on the pork sector.

Section II: NAFTA – Impacts on the U.S. Agricultural Sector

It is widely known and appreciated how important exports are to the U.S. food and agricultural sector. U.S. agricultural exports averaged more than $140 billion over the past five years (2012-2016). Over the same period, the United States enjoyed on average a $31 billion agricultural trade surplus. That swells to $50 billion on average if non-competing imports such as coffee, tea, rubber, etc., are excluded.

Former USDA Chief Economist Joseph Glauber points out that, "Based on the value of agricultural production, roughly one-third of what is produced by U.S. farmers and ranchers is exported and for many commodities such as soybeans, wheat, and cotton, more than 50 percent of the crop is typically exported. Moreover, with a slowing population growth rate at home, more than 97 percent of the anticipated population growth over the next 35 years is anticipated to take place outside of U.S. borders. Those facts explain why U.S. agricultural interests have been such strong supporters of free trade agreements in the past."[5]

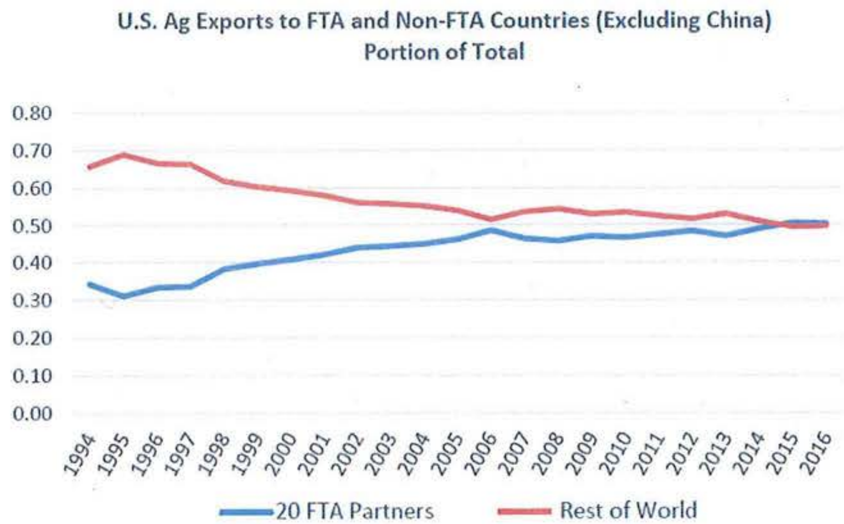
According to the USDA's Economic Research Service (ERS), agriculture and agriculture-related industries contributed $985 billion to the U.S. gross domestic product (GDP) in 2014, a 5.7 percent share. The output of America's farms contributed $177.2 billion of this sum – about 1 percent of GDP. The overall contribution of the agriculture sector to GDP is larger than this because sectors related to agriculture – forestry, fishing and related activities; food, beverages and tobacco products; textiles, apparel and leather products; food and beverage stores; and food service and drinking places – rely on agricultural inputs to contribute added value to the economy. In 2014, 17.3 million full- and part-time jobs were related to agriculture – 9.3 percent of total U.S. employment. Direct on-farm employment provided over 2.6 million of these jobs.[6]

The share of U.S. agricultural production exported overseas is 20 percent by volume, with some sectors being much higher. For example, exports account for over 70 percent of U.S. production of tree nuts and cotton, over 60 percent of soybeans and over 50 percent of rice and wheat. Positive farm income throughout America would not be possible without access to foreign markets, trade promotion and trade agreements.[7]

Food and agricultural exports in 2016 totaled $135 billion, which generated $440 billion in U.S. economic activity in 2016, based on the ERS multiplier. Agricultural exports as a share of cash receipts to farmers have grown from 22 percent to 35 percent since the early 1990s. ERS estimates that each dollar of agricultural exports stimulates another $1.27 in business activity in the economy. The $135 billion of agricultural exports in calendar year 2016, therefore, produced an additional $171 billion in economic activity, for a total of $306 billion economy-wide.

In addition, every $1 billion of U.S. agricultural exports requires approximately 7,550 American jobs throughout the economy. Agricultural exports in 2016 required 1,019,000 full-time civilian jobs, which included about 752,000 jobs in the nonfarm sector. Exports to Canada and Mexico, our second and third largest foreign markets, totaled over $38 billion in 2016, or 28 percent of our total to the world. Those exports generated over $48 billion in additional business activity throughout the economy and accounted for some 287,000 jobs.

Much of the growth in U.S. agricultural exports has occurred during the period the United States implemented new trade agreements. The U.S. agricultural sector, as the most efficient and competitive in the world, has benefited greatly from more open markets brought about by these agreements. We now export as much to our 20 FTA partner countries as we do to the rest of the world (over 150 countries), excluding China.



Source: USDA/FAS/Global Trade Atlas

The following table provides a breakdown of agricultural export growth by FTA in chronological order since NAFTA. While exports to at least some of these countries would have increased without the FTAs, there is no doubt that the FTAs played a major role in the growth. In all cases, very high tariffs or other restrictive measures were negotiated away, allowing for freer access for U.S. products and, in many cases, preferential access over products from competitor countries.

Growth in U.S. Agricultural Exports to FTA countries

FTA	Date Entered into Force	Year Before Agreement	2016	Growth
		Million Dollars		Percent
Canada FTA/NAFTA	1/1/89	2,019	20,242	+903
Mexico - NAFTA	1/1/94	3,618	17,850	+393
Jordan	1/1/02	122	273	+124
Singapore	1/1/04	266	738	+177
Chile	1/1/04	144	848	+489
Australia	1/1/05	410	1,292	+215
El Salvador - CAFTA	3/1/06	239	560	+134
Honduras - CAFTA	4/1/06	249	649	+161
Nicaragua - CAFTA	4/1/06	125	218	+74

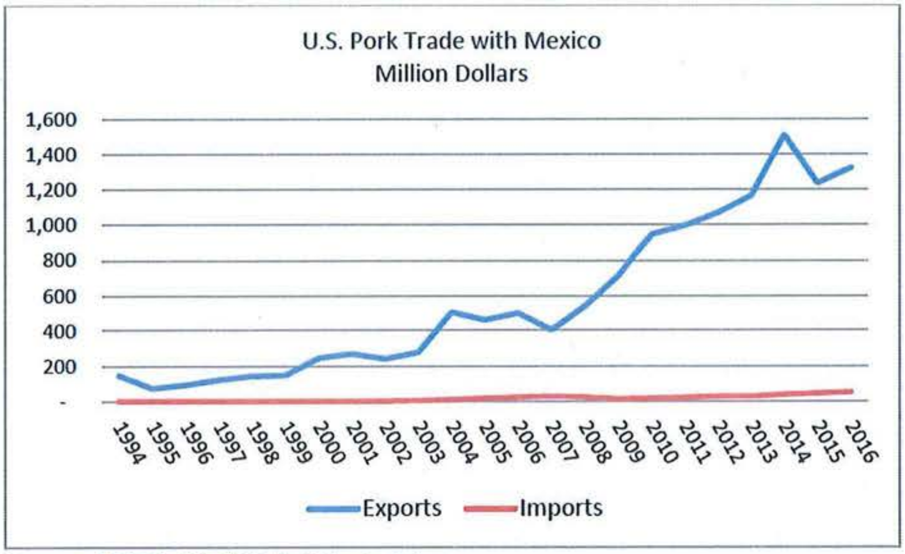
Guatemala - CAFTA	7/1/06	455	1,081	+138
Morocco	1/1/06	164	425	+159
Bahrain	8/1/06	15	65	+333
Dominican Rep.	3/1/07	629	1,175	+87
Costa Rica - CAFTA	1/1/09	608	701	+15
Oman	1/1/09	77	65	-16
Peru	2/1/09	424	1,146	+170
South Korea	3/15/12	6,976	6,202	-11
Colombia	5/12/12	868	2,377	+174
Panama	10/31/12	206	670	+225

Source: USDA/FAS/Global Trade Atlas

It is clear from the table that one of the most important trade agreements for agriculture is NAFTA. But no trade agreement is perfect, and NAFTA is now 23 years old. It is encouraging that efforts are underway, with Mexican and Canadian support, to negotiate needed improvements in this important deal. But it is vital that in doing so we do not backtrack on provisions that have made the two countries among our top three markets in the world. As noted previously, Mexican WTO tariff rates were substantially higher in the agricultural sector (45 percent bound and 15.6 percent applied) than U.S. WTO rates in agriculture (4.8 percent bound and 5.2 percent applied). It is clear which country's agriculture would suffer more from moving away from NAFTA tariffs – which are essentially zero in both directions – and back to WTO levels.

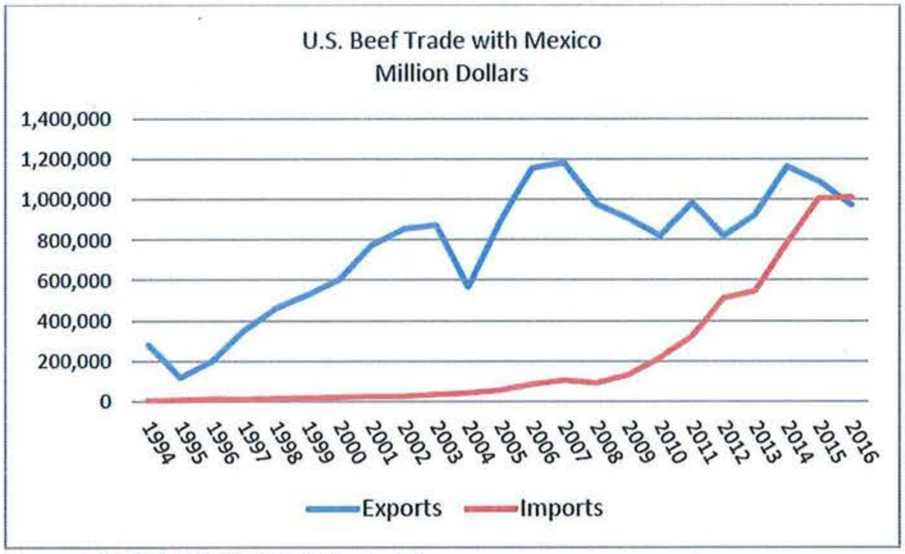
With the productivity of U.S. agriculture growing faster than domestic demand, the U.S. food and agriculture industry – and the rural communities that depend on it – relies heavily on export markets to sustain prices and revenues. Disrupting U.S. agricultural exports to Mexico and Canada would have devastating consequences for our farmers and the many American processing and transportation industries and workers supported by these exports.

The following charts help tell the story of our successful trade relationship with Mexico. Exports to Mexico of most commodity sectors have grown substantially since 1994. For Mexico, exports have risen in more labor-intensive horticultural crops, especially those that are seasonal. But even in horticultural products U.S. exports to Mexico have grown, reaching over $2.6 billion in 2016. Agricultural trade between the two countries benefits farmers and consumers on both sides of the border.



Source: USDA/FAS/Global Trade Atlas

Source: USDA/FAS/Global Trade Atlas



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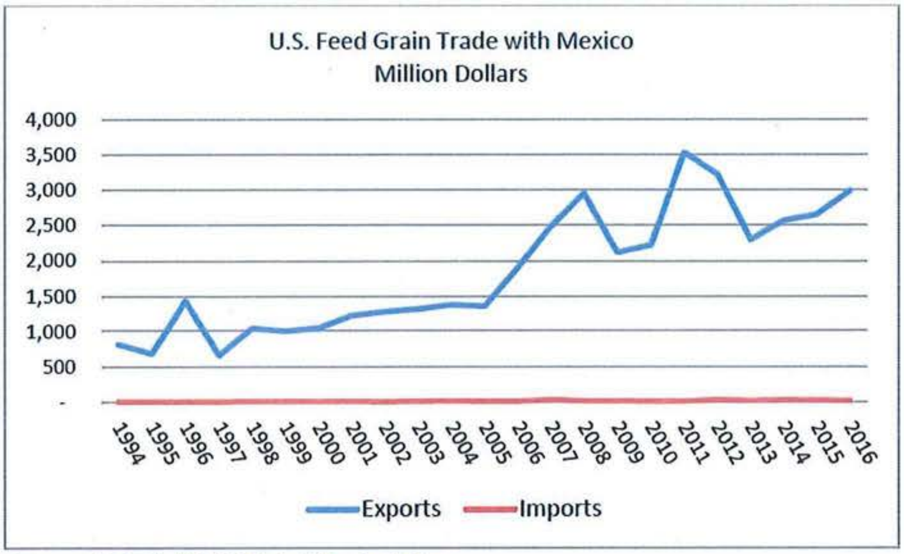

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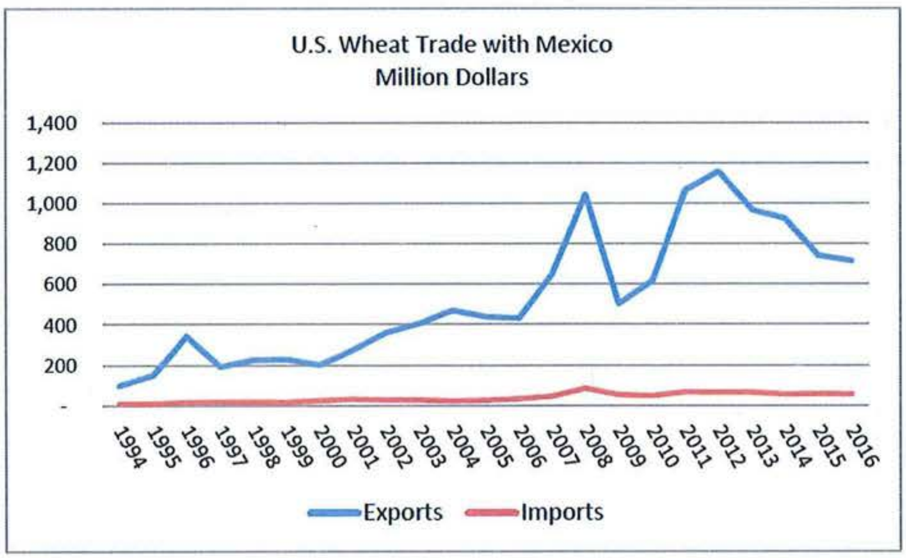
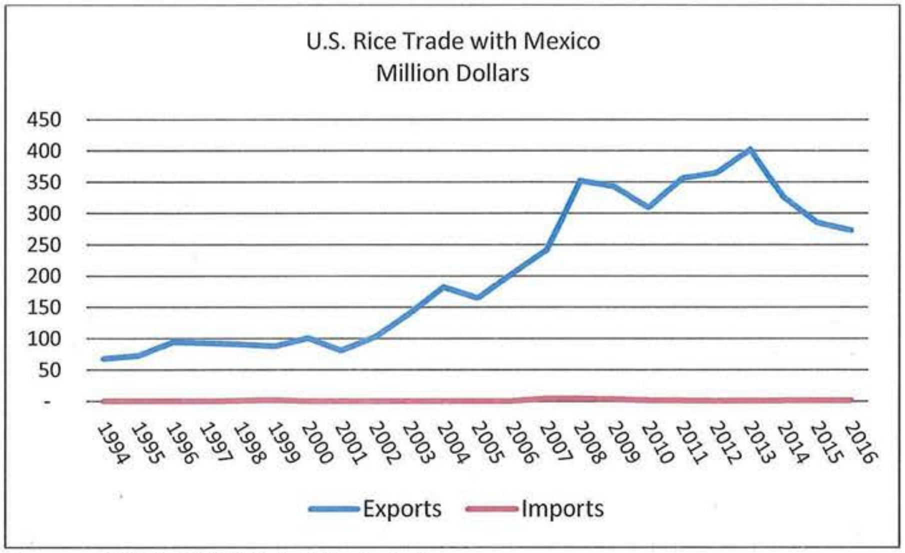


Source: USDA/FAS/Global Trade Atlas



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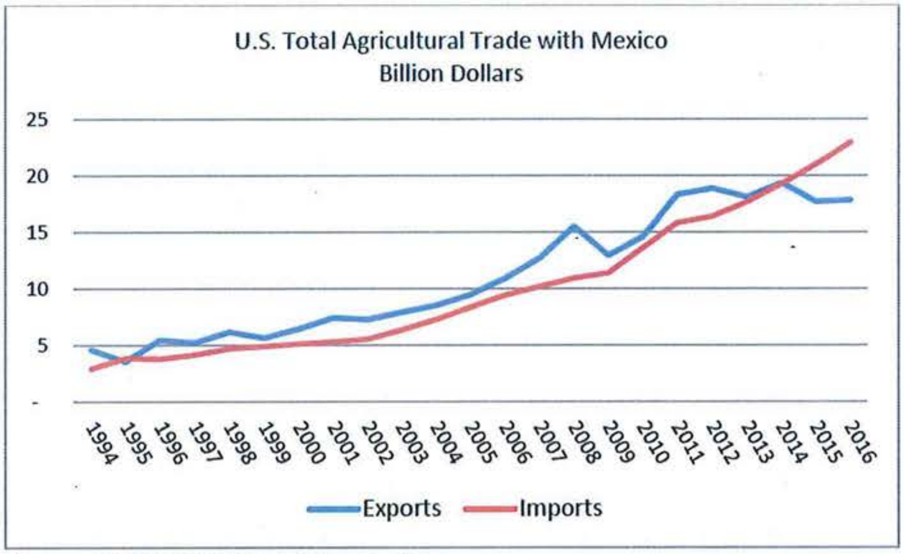


Source: USDA/FAS/Global Trade Atlas

As one can see, the United States has achieved important export gains in many commodity sectors. Mexico has done very well in the horticultural sector, where it has seasonal and specialty product advantages. (Many of the specialty products from Mexico that we do not produce were duty-free even before NAFTA.) Mexico also exports products to the United States that we do not produce, including coffee and cocoa. These tables demonstrate the value of NAFTA to the agricultural sectors of the United States and Mexico and to the consumers of both countries. It also represents what free trade agreements are supposed to accomplish – growing trade in both directions.

Section III: NAFTA – Impacts on the U.S. Pork Sector

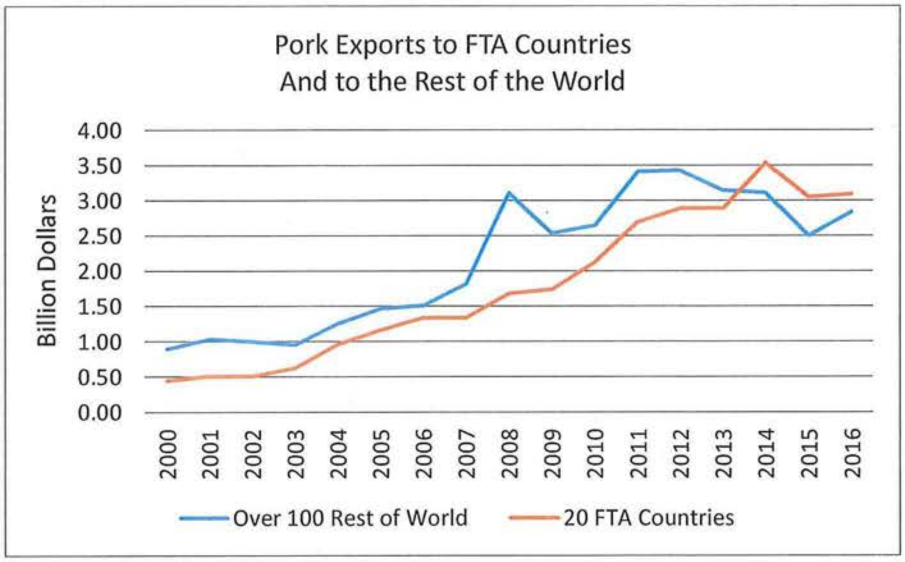
The United States over the past 10 years, on average, has been the No. 1 exporter of pork in the world, and it is the world's lowest cost producer. In any given year, the U.S. pork industry ships product to more than 100 countries. Exports contribute significantly to the bottom line of all U.S. pork producers, adding more than $50 to the value of each hog marketed in 2016, when about $6 billion of U.S. pork was exported. For these reasons, the opening of new, and the expansion of existing, markets for U.S. pork through free trade agreements have been and will continue to be vital to the success of the U.S. pork industry.

Growth in U.S. Pork Exports to FTA countries

FTA	Date Entered into Force	Year Before Agreement	2016	Growth
		Million Dollars		Percent
Mexico (NAFTA)	1/1/94	164.7	1,268.2	+670
Canada (NAFTA)	1/1/94	46.9	778.9	+1,561
Jordan	12/17/01	.009	.188	+2,022
Singapore	1/1/04	1.6	14.1	+781
Chile	1/1/04	0.2	41.3	+20,550
Australia	1/1/05	11.3	172.7	+1,428
El Salvador (CAFTA)	3/1/06	0.8	8.3	+937
Honduras (CAFTA)	4/1/06	11.3	43.8	+288
Nicaragua (CAFTA)	4/1/06	0.4	7.2	+1,700
Guatemala (CAFTA)	7/1/06	8.4	40.4	+581
Morocco	1/1/06	0.03	0.05	+150
Bahrain	8/1/06	0.025	0.034	+36
Dominican Republic	3/1/07	6.6	53.2	+706
Costa Rica (CAFTA)	1/1/09	1.3	12.9	+892
Oman	1/1/09	.004	.003	-39
Peru	2/1/09	0.7	10.0	+133
Korea	3/15/12	497.9	472.1	-5
Colombia	5/12/12	29.0	101.5	+250
Panama	10/31/12	13.4	31.1	+132

Source: USDA/FAS/Global Trade Atlas

U.S. exports of pork have increased by 1,550 percent in value and nearly 1,300 percent in volume since 1989, the year the United States implemented the FTA with Canada and began the process of opening international markets for value-added agriculture products. The importance of trade deals is evident given that the United States now exports more pork to the 20 countries with which it has FTAs than to all other nations combined.



Source: USDA/FAS/Global Trade Atlas

In 2016, the United States exported more than 730,000 metric tons of pork and pork products, valued at $1.36 billion, to Mexico, making it the largest volume market and the second largest value market for U.S. pork exports. According to Iowa State University economist Dermot Hayes, U.S. pork exports to Mexico have created more than 9,000 U.S. jobs. Canada is our third largest market, taking almost $800 million in pork in 2016. Together, the two countries account for over 40 percent of our exports to the world and about 15 percent of our production. Professor Hayes calculates that if Mexico were to place a 20 percent duty on our pork and allowed EU and Canadian pork duty-free access, we would eventually lose all of that market.

In his assessment, Professor Hayes also looked at the possibility of U.S. pork finding alternative markets and concluded the U.S. pork industry would be left with a net loss of about 600,000 tons, or 5 percent of our total production. This would cause a 10 percent reduction in our live hog market. At today's hog prices that is $14 per hog, Professor Hayes concluded. Based on 118.3 million hogs harvested in 2016, that's an aggregate loss to the pork industry of nearly $1.7 billion.

A loss in exports to Mexico of that magnitude would be cataclysmic for the U.S. pork industry. Pork producers will support updating and improving the NAFTA but only if duties on U.S. pork remain at zero and pork exports are not disrupted.

Section IV: NAFTA – Impacts on the U.S. Manufacturing Sector

This section contains excerpts from statements and papers by organizations that have examined the importance to U.S. industries and to the U.S. economy of bilateral trade with our NAFTA partners.

General

The Congressional Research Service report on "The North American Free Trade Agreement (NAFTA)," April 16, 2015:

> "Many economists and other observers have credited NAFTA with helping U.S. manufacturing industries, especially the U.S. auto industry, become more globally competitive through the development of supply chains. Much of the increase in U.S.-Mexico trade, for example, can be attributed to specialization as manufacturing and assembly plants have reoriented to take advantage of economies of scale. As a result, supply chains have been increasingly crossing national boundaries as manufacturing work is performed wherever it is most efficient. A reduction in tariffs in a given sector not only affects prices in that sector but also in industries that purchase intermediate inputs from that sector. The importance of these direct and indirect effects is often overlooked, according to one study. The study suggests that these linkages offer important trade and welfare gains from free trade agreements and that ignoring these input-output linkages could underestimate potential trade gains."
>
> "Much of the trade between the United States and its NAFTA partners occurs in the context of production sharing as manufacturers in each country work together to create goods. The expansion of trade has resulted in the creation of vertical supply relationships, especially along the U.S.-Mexico border. The flow of intermediate inputs produced in the United States and exported to Mexico and the return flow of finished products greatly increased the importance of the U.S.-Mexico border region as a production site. U.S. manufacturing industries, including automotive, electronics, appliances, and machinery, all rely on the assistance of Mexican manufacturers. One report estimates that 40 percent of the content of U.S. imports from Mexico and 25 percent of the content of U.S. imports from Canada are of U.S. origin. In comparison, U.S. imports from China are said to have only 4 percent U.S. content. Taken together, goods from Mexico and Canada represent about 75 percent of all the U.S. domestic content that returns to the United States as imports."

The Wilson Center: "Growing Together: Economic Ties between the United States and Mexico," September 2016, by Christopher Wilson, https://www.wilsoncenter.org/article/growing-together-economic-ties-between-the-united-states-and-mexico#sthash.nVUysZr0.dpuf. Excerpts from the summary:

> Our study concludes that the economic relationship with Mexico, though not without its challenges, provides concrete benefits, strengthening the competitiveness of American firms, creating jobs in the United States, and generating savings for the average American family. Key findings include:

• The United States and Mexico no longer simply sell finished products to one another. Instead, they build things together, using a regional system of manufacturing production that involves supply chains that crisscross the U.S.-Mexico border. This allows the two countries to effectively combine their individual comparative advantages into an ultra-competitive regional system, improving North America's ability to compete on the global stage. In 2011, the most recent year for which this data is available, Mexican industries consumed $140 billion dollars in U.S. intermediate goods, and U.S. industries consumed $111 billion dollars' worth of Mexican inputs. This is direct evidence of joint production taking place between the United States and Mexico on a massive scale.

• Nearly five million U.S. jobs depend on trade with Mexico. Our economic model shows that if trade between the United States and Mexico were halted, 4.9 million Americans would be out of work. This is a net figure and includes jobs directly and indirectly tied to trade, meaning it takes into account, 1. Jobs currently supported by the production of goods for export that would be lost if we stopped trading with Mexico; 2. Jobs that would return to the United States to produce goods we currently import; and 3. Jobs currently supported by the income individuals and companies save by having access to lower cost imports. Some of the net job gains associated with bilateral trade are in manufacturing, but the vast majority are actually in service sectors, including everything from finance to healthcare and retail. This is because the job gains associated with exports are more or less cancelled out by those lost through import competition (1 cancels out 2 in the list above), leaving the major win really coming from fact three, the availability of more competitively priced inputs for U.S. businesses and products for consumers.

• Without doubt, the United States is in the process of an economic transformation, and middle class workers in the United States have endured a tough period over the last couple of decades. Real median household income, though up sharply over the last year, is still below its pre-recession high in 2007 and below the previous peak in 1999.[1] Manufacturing workers have been particularly hard hit, with employment in the sector down 29 percent since 2000. Service sector employment, on the other hand, is up, which suggests the United States is going through a structural shift, largely driven by productivity improvements in manufacturing that allow more goods to be produced by fewer workers. Trade, though a much smaller driver than technology, pushes in the same direction, accelerating this structural shift toward higher-skilled service jobs. Researchers from Ball State University recently found that 87 percent of manufacturing job losses in the period from 2000 to 2010 were caused by productivity increases, while 13 percent were linked to trade.[2] These transformations are positive for the overall economy, but clearly tough on those workers that have the skills to fill the jobs of yesterday rather than the jobs of tomorrow.

• Mexican foreign direct investment in the United States has nearly doubled since 2007, and businesses supported by Mexican investment in the United States employ more than 123,000 jobs.[3] These investments impact all fifty states and include a diverse group of industries, from construction and mining to television and financial services. Grupo Bimbo, for example, which is the world's largest baking company and is Mexican-owned, operates over 70 bakeries and employs 27,000 people in the United States, managing well-known brands

like Sara Lee and Entenmann's. Even the U.S. auto industry, which has been the subject of much attention for recent announcements of major investments in Mexico, receives significant Mexican investment. Nemak, which supplies one-quarter of all light vehicles in the world with aluminum engine components, and Rassini, a top global producer of brakes and suspensions, run factories in Kentucky, Michigan, Ohio and Tennessee.[4]

• To be sure, there are times when firms close their factories in the U.S. and move to Mexico. However, there is strong evidence that investment by U.S. firms in Mexico is more often associated with job growth in their U.S. operations than with job losses. Theodore Moran and Lindsay Oldenski have analyzed U.S.-Mexico trade and investment data from 1990 to 2009, and find that on average a ten percent increase in employment at U.S. companies' operations in Mexico leads to a 1.3 percent increase in the size of their workforce in the United States, a 1.7 percent increase in exports from the United States, and a 4.1 percent increase in U.S. research and development spending.[5] There is also evidence that the jobs created in the U.S. due to this phenomenon require higher skill levels, reinforcing the need for worker training and re-training to benefit from this transition and qualify for these higher-paying positions.

At the core, the question is whether the United States and Mexico are better as competitors or partners. Without doubt, there are some elements of the relationship that are zero-sum, but our profound ties, ranging from cross-border supply chains to migration to cooperation to prevent terrorist attacks, mean that at the deepest level the United States and Mexico truly are partners. Millions of American workers already benefit from the relationship. With the right approach by decision-makers on both sides of the border, those benefits can be expanded and extended to millions more. The United States and Mexico depend on each other more than ever for our economic well-being and competitiveness. We will sink or swim together in the global economy.

The Auto Sector

The Center for Automotive Research (CAR) recently published a paper that examines the consequences to the U.S. automotive industry of the United States withdrawing from NAFTA: "*NAFTA Briefing: Trade benefits to the automotive industry and potential consequences of withdrawal from the agreement.*"

The auto sector has been in the forefront of the debate over NAFTA and U.S. jobs, as it has in the debate over trade agreements generally. This section is intended to offer some perspective on auto trade under NAFTA and the implications of withdrawing from the agreement or otherwise restricting imports from NAFTA partners.

The following are key excerpts from the CAR paper. However, since these alone cannot do justice to the work by the authors, we recommend that the full report be downloaded at this link: http://www.cargroup.org/?module=Publications&event=View&pubID=148

Regarding NAFTA Benefits:

NAFTA allows automakers to take advantage of best cost production and lower supply chain risk, thus ensuring automotive production remains in North America. Without NAFTA, large segments of the U.S. automotive industry would have moved to other low-wage countries in

Asia, Eastern Europe, or South America (Porter, 2016). By producing cheaper automotive parts and components on the "near shore" in Mexico rather than truly "off-shore," Mexican automotive plants helped sustain a competitive automotive industry across North America. Page 2

Regarding Cross-Border Investment:

Companies in Canada, Mexico, and the United States have invested throughout the NAFTA region. In 2015, total U.S. Foreign Direct Investment (FDI) in Canada was $353B (all industries); Canadian FDI in the United States was $269B. Total U.S. FDI in Mexico was $93B; Mexican FDI in the United States was $17B (U.S. Bureau of Economic Analysis, 2016). Page 3

Regarding Limiting Imports from Mexico:

Limiting the flow of vehicles from Mexico into the United States will not automatically create the replacement manufacturing capacity for those vehicles in the United States. Canada serves as an obvious likely replacement source of capacity. In fact, current exchange rate makes Canadian labor costs lower than those in the United States. Page 5

Regarding the Supply Chain:

Within NAFTA, automakers and suppliers are dependent on inputs from throughout the trading region. In fact, between 80 and 90 percent of U.S. automotive trade is intra-industry (Wilson C. E., 2011). The United States, Canada, and Mexico produce and assemble automotive parts and components, and these parts and components may cross the NAFTA countries' borders as many as eight times before being installed in a final assembly plant in one of the three partner countries (Wilson C. E., 2011). This integration compounds the effects of any impediments to free trade. Page 7

Regarding U.S. Content:

Rising international automotive production in Mexico will be a net gain for U.S. employment, as many parts and components produced in the United States are inputs for Mexican production facilities. For example, U.S. content of imported vehicles from Mexico was only 5 percent before NAFTA; today, that number is 40 percent (Wharton School, 2014). U.S. suppliers have benefited from increased automotive assembly capacity throughout North America. Pages 7-8

Regarding Competitiveness:

When multi-national corporations based in the United States expand internationally, their home country operations benefit as well. For example, overall U.S.-Mexico trade data show that, on average, a 10 percent increase in employment at a Mexican affiliate operation leads to a 1.3 percent increase in U.S. employment, a 1.7 percent increase in U.S. exports, and a 4.1 percent increase in U.S. R&D spending (Moran and Oldenski, 2014). While a 10 percent to 1.3 percent employment growth ratio doesn't seem like much, the U.S. employment base is generally much larger. For a company that might add 500 additional jobs in Mexico for a total of 5,500 jobs in that country (10 percent), the 1.3 percent U.S. jobs gain could be more than 500 if the U.S. corporation has employment greater than 38,500. Page 8

Regarding U.S. Wages and Jobs:

Product and process technological changes have done more to increase productivity gains and shift employment than has trade; an estimated 87 percent of U.S. manufacturing job losses are due to technology (Wilson & Woods, 2016). Outsourcing explains 15 percent of the increase in the U.S. relative wage of nonproduction workers during the period 1979 to 1990. U.S. automakers and suppliers that increase global manufacturing employment also see employment growth in high-wage engineering and R&D jobs, as well as in other headquarters and administrative functions in the United States. Expanding NAFTA manufacturing anchors the automakers' and suppliers' engineering and R&D in the region—largely within the United States. Page 8

Regarding NAFTA Withdrawal:

If it were possible to completely withdraw from NAFTA, the immediate benefit would not necessarily be a retrenchment of automotive assembly and supplier jobs back to the United States. What would it mean to bring back automotive and auto parts manufacturing from Mexico?

Implications for Automakers

In 2016, 55 percent of light vehicles produced in Mexico were exported to the United States (1.8 million) (IHS|Markit, 2016). Automakers could choose to supply the U.S. market from U.S. factories or from production based outside of the NAFTA region. (IHS|Markit, 2016). In 2016, U.S. production-weighted capacity utilization in automotive assembly was 94 percent. There is little open capacity, which means it would not be possible to simply shift production from Mexico to existing U.S. plants—new capacity would have to be built. This takes time, and would amount to an estimated \$4.7B to \$6.5B in new capital costs (CAR analysis); costs could go higher since this added U.S. capacity would potentially be spread across the ten automakers that produce vehicles in Mexico. It is worth noting that over half of Mexico's light vehicle output is produced by foreign automakers—FCA. Pages 8-9

Implication for Parts Suppliers

Automotive suppliers have made significant commitments to production in Mexico. Indeed, 65 percent of all Mexican foreign direct investment across all industries is automotive supplier-related (U.S. International Trade Administration, 2016). Mexico's auto supply industry employed just over 500,000 people in 2015 (of which nearly 460,000 were production/hourly workers—including contract/temp workers). It is not possible to distinguish Mexican parts and components production for original equipment (OE) installation versus production for the aftermarket, so it is difficult to determine how much of the Mexican supply base would potentially move or shift production back to the United States to support the 1 million additional units of capacity needed. The suppliers that would potentially move back to the United States to follow relocated vehicle production would be few—mainly those tied to the just-in-time plants and jobs manufacturing other bulky, fragile, or otherwise difficult to ship parts and components. (Most Mexican auto parts production go to OEM. The aftermarket is ruled by China in the three NAFTA countries.)

Implications for Dealers

Dealer employment would be impacted should automakers decide to curtail or halt production, curtail importing vehicles, or should the price of vehicles increase significantly as a result of a tariff or other increased cost of trade within North America.

Michigan Would Be Hard Hit by a U.S. withdrawal from NAFTA. The Detroit metropolitan area is in the heart of the U.S. automotive industry, and was the sixth largest metro area for all exports in 2015 ($44.3B) (U.S. International Trade Administration, 2016). That same year, transportation was the Detroit's top export category, accounting for nearly 60 percent of the area's exported goods ($25.3B) (U.S. International Trade Administration, 2016).

Mexico and Canada are the top foreign markets for Detroit exports; in 2016, 39 percent of the value of Detroit Metropolitan Statistical Area (MSA)'s goods exports were bound for Mexico ($17.3B), and 34 percent were exported to Canada ($15.1B) (U.S. International Trade Administration, 2016). Detroit's exports to Mexico are greater in both absolute value and in share than those of any other U.S. city (U.S. International Trade Administration, 2016).

Michigan's high concentration of engineering and automotive-related employment could be at risk to foreign countries if production shifts outside the NAFTA region. Page 10

Regarding a 35 percent Tariff:

If the U.S. were to enact a 35 percent tariff on light vehicles imported from Mexico, CAR estimates the sales impact would be 450,000 units in the United States, and an implied loss of nearly 6,700 North American assembly jobs. These 6,700 North American assembly jobs lost from the higher price of Mexican imported light vehicles are just the tip of the iceberg, however. When it comes to U.S. employment, the impact could be much larger.

Mexican-assembled vehicles contain U.S. parts, engines, transmissions, and other content—in 2015, Mexican vehicle exports contained an average of 40.3 percent U.S. content. The U.S. parts employment impact of the lost Mexican import sales would result in approximately 20,000 U.S. parts jobs lost.

Automakers who assemble in the United States utilize Mexican parts and components that would also be subject to this tax. U.S. vehicle production contains an average of 11.7 percent Mexican parts and components content. Since the price of the Mexican parts content in U.S. light vehicle production would rise by 35 percent, that would result in approximately 11,000 additional U.S. assembly jobs lost.

At least 31,000 U.S. jobs could be lost—in addition to some proportion of the 6,700 North American job loss—as a result of a 35 percent tariff on light vehicles and parts imports from Mexico. There are two factors that could raise the jobs impact even further:

• Many parts and components cross the U.S.-Mexico border multiple times before being installed at a final assembly plant in either country for sale in the United States; taxing these parts at each border crossing would multiply the impact of the tariff.

• Job losses would not be evenly distributed and would have an impact on individual automakers' and suppliers' capacity utilization, which could lead to plant closures and broader job impacts.

Regarding Retaliation:

Mexico currently purchases over $185 billion worth of products from the United States. These products involve everything from automotive parts, iron, plastics, and chemicals to agricultural products and computers. A U.S. withdrawal from NAFTA might prompt Mexico to place a retaliatory tariff on all U.S. imports to that country, making these goods more expensive for producers in Mexico to purchase them. When U.S. goods become more costly due to increased tariffs, companies will look to suppliers in other countries—and Mexico has favored nation trading status with 46 other countries through existing free trade agreements.

The CAR Conclusion:

NAFTA allows automakers to take advantage of best cost production and lower supply chain risk, thus ensuring automotive production remains in North America. With automotive parts and components being two-thirds the value of the finished vehicle the opportunity to have a best cost location of this content on the "near shore" in Mexico rather than truly "off-shore," supports and sustains a competitive automotive industry across North America, of which the United States dominates in terms of vehicle production and parts manufacturing.

Any move by the United States to withdraw from NAFTA or to otherwise restrict automotive vehicle, parts and components trade within North America will result in higher costs to producers, lower returns for investors, fewer choices for consumers, and a less competitive U.S. automotive and supplier industry. Counter to the incoming Trump Administration's goal of creating manufacturing jobs the withdrawal from NAFTA or the implementation of punitive tariffs could result in the loss of at least 31,000 U.S. automotive and parts jobs.

<u>Other Manufacturing Industries</u>

While the auto sector is one of the largest traded between the United States and Mexico, other manufacturing sectors make up significant portions of total dollars Mexico spends on U.S. products. In 2016, the United States exported some $171 billion in other U.S. manufactured goods (excludes food, agricultural commodities, seafood and forest products). Important U.S. industries (See table on the next page) would be hit hard by increased duties on their sales to Mexico, particularly if Mexican importers turn to competing products from countries with which Mexico has free trade agreements.

U.S. Exports to Mexico
Key Industrial Sectors, Excluding Autos & Parts

NAIC Code	Description	$ Billion
324	Petroleum and Coal Products	16.7
325	Chemicals	21.6
326	Plastics and Rubber Products	10.2
331	Primary Metal Manufactures	9.9
332	Fabricated Metal Products	10.4
333	Non-Electrical Machinery	20.0
334	Computer & Electric Products	43.9
335	Electrical Equipment, Appliances & Components	14.0
	Total Above	146.8
	Other Industrial	24.4
	Total Industrial Excluding Auto	171.2

Source: USITC Dataweb

As mentioned previously, Mexico's average WTO-bound tariff rate for manufactured product imports is 34.8 percent. The average tariff it applies to imports of manufactured products from the United States (and Canada) under NAFTA is zero.[3] There are two takeaways from this. First, NAFTA caused Mexico to reduce its tariffs on U.S. products much more than the United States reduced tariffs on Mexican goods.[4] The second is that if NAFTA were to disappear, U.S. products would face steeper additional tariffs than Mexican products would face entering the United States.

Perhaps more importantly is the fact that the U.S. products would not only be facing those higher tariffs, but they would be facing competition from third parties that would be facing lower or zero tariffs. As mentioned, Mexico has some form of free trade agreement with some 50 countries. This price disadvantage would be devastating to U.S. firms attempting to sell to Mexico. The preservation and improvement of NAFTA is critical to continued access to the Mexican market for these American-made products and to the safeguarding of the millions of jobs they represent.

[3] As covered in a prior footnote, Mexico's "applied" MFN average tariff is 5.7 percent, and the U.S. "applied" average is 3.2 percent on manufactured goods. In theory, the tariffs that make up these averages would be the maximum the two countries could apply to each other if NAFTA were killed (since those are the levels of tariffs they "apply" on a non-discriminatory basis to imports of products from other WTO members). However, in a trade war situation, or one where the United States unilaterally imposed higher tariffs on Mexican goods, Mexico would have the ability to raise its tariffs on U.S. products to the WTO-bound levels. Or, alternatively, Mexico could choose to raise its "applied" tariffs up to their "bound" levels on products from all WTO members with which it does not have free trade agreements to allow it to maximize the restrictive effect on the United States. (Mexico has some form of free trade agreements with some 50 countries, not counting NAFTA.) The U.S. does not have the same option. It's applied and bound tariffs are virtually the same, 3.2 percent and 3.3 percent, respectively.

[4] The reason is that Mexican tariff bindings (i.e., limits) at the time NAFTA was negotiated were much higher than U.S. tariff limits. Mexico was a recent entrant into the WTO (GATT at the time) and had not been a party to any of the tariff-cutting trade agreements under that system. The Uruguay Round would be its first such negotiation and that one was a year after NAFTA.

Section V: Importance of Trade with Mexico to the Fifty States

Alabama

Alabama exports $2.9 billion in goods to Mexico, and Mexico is the state's third largest export market. Metal manufacturing (iron, steel, aluminum and nonferrous metals) generates $1.1 billion and represents 40 percent of the state's total sales to Mexico. Mexico also imports nearly a third (29 percent) of the state's global machinery exports. Alabama's main farm exports are chicken, oilseeds, cotton, wheat and beef. Trade with Mexico supports over 67,000 jobs.

Alaska

$41 million in goods are traded between Alaska and Mexico. Alaska exports $1.5 million worth of machinery (machine creation for a variety of industries), accounting for 19 percent of the state's total exports to Mexico. Trade with Mexico supports nearly 11,000 jobs.

Arizona

Arizona exports $9.2 billion in goods to Mexico. It is the fourth biggest export state to Mexico, and Mexico is Arizona's largest export market. Minerals and ores exported to Mexico generate over $2.5 billion in revenue and account for 96 percent of the sector's exports worldwide. Mexico imports a quarter of Arizona's global computer and electronic products exports. Arizona's main farm export commodities are vegetables, cotton, dairy, beef and wheat. Trade with Mexico supports over 89,000 jobs, and Mexican investment supports over 8,800 jobs.

Arkansas

Arkansas exports $837 million in goods to Mexico, and Mexico is the state's second largest export market. Transportation equipment (motor vehicle, railroad, ship and aerospace) exported to Mexico generates over $224 million in revenue and accounts for 27 percent of Arkansas' total exports to Mexico. Key farm exports of the state are rice, soybeans, chicken, cotton and meats. Trade with Mexico supports nearly 42,000 jobs, and Mexican investment supports over 3,300 jobs in the state.

California

California exports $26.8 billion in goods to Mexico. It is the second biggest export state to Mexico, and Mexico is the state's largest export market. Computer and electronic products exported to Mexico generate over $6.7 billion in revenue for California. Mexico is also the largest export market for transportation equipment, generating $2.9 billion annually. Major farm exports from California include tree nuts, fruits, dairy, rice, cotton and beef. Trade with Mexico supports nearly 566,000 jobs, and Mexican investment supports nearly 13,300 jobs in the state.

Colorado

Colorado exports $1.1 billion in goods to Mexico, and Mexico is the state's second largest export market. Colorado exports $129 million of industrial machinery to Mexico, making it the third biggest market for this product. Its major farm exports include beef, wheat, feed grains and dairy. Trade with Mexico supports over 88,000 jobs in the state, and Mexican investment supports nearly 1,400 jobs.

Connecticut

Connecticut exports $1.3 billion in goods to Mexico, and trade with Mexico supports over 61,000 jobs in the state. Mexican investment also supports 440 jobs in Connecticut. Its chief farm exports are chicken, dairy and eggs.

Delaware

Delaware exports $146 million in goods to Mexico. Mexico is the second largest export market for Delaware's plastics, generating $19 million and representing 14 percent of the state's global plastic exports. Delaware's main farm exports are dairy, soybeans and corn. Trade with Mexico supports over 15,000 jobs in Delaware, and Mexican investment supports another 317.

Florida

Florida exports $2.7 billion in goods to Mexico, and Mexico is the state's third largest foreign market. Its leading exports are transportation equipment ($440 million), non-electrical machinery ($432 million) and electronic products ($389 million). Its main farm exports are fruits, vegetables and dairy products. Trade with Mexico supports over 290,000 jobs, and Mexican investment supports nearly 10,500 jobs in the state.

Georgia

Georgia exports $3.5 billion in goods to Mexico, and Mexico is Georgia's second largest export market. Electrical equipment exported to Mexico generates $367 million in revenue for the state, accounting for 17 percent of the state's global electrical equipment exports. Its principal farm exports are cotton, poultry products, peanuts and tree nuts. Trade with Mexico supports nearly 153,000 jobs, and Mexican investment supports over 3,900.

Hawaii

Hawaii exports $2 million in goods to Mexico. A total of $11 million in goods are traded between Hawaii and Mexico. Mexico is the second largest market for Hawaii's primary metal manufacturing. Its principal farm export commodity is macadamia nuts. Total trade with Mexico supports nearly 24,000 jobs.

Idaho

Idaho exports $264 million in goods to Mexico. Food processing is one of Idaho's strongest industries, with exports to Mexico reaching $152 million and representing 57 percent of the state's total exports to Mexico. Idaho's principal farm exports are dairy, wheat, potatoes, malt and beef. Trade with Mexico supports over 23,000 jobs in the state.

Illinois

Illinois exports $9.1 billion in goods to Mexico. It is the fifth biggest export state to Mexico, and Mexico is Illinois' second largest export market. $1 billion in machinery and $1.5 billion in transportation equipment are exported to Mexico, and 34 percent of the state's global primary metal manufacturing exports go to Mexico. Illinois's key farm exports are corn, soybeans and products and pork. Trade with Mexico supports over 200,000 jobs, and Mexican investment supports 1,800 jobs in the state.

Indiana

Indiana exports $4.8 billion in goods to Mexico. It is the eighth biggest export state to Mexico, and Mexico is Indiana's second largest export market. Transportation equipment and machinery exports to Mexico represent $1.5 and $1.4 billion annually. Its main farm exports are corn, soybeans and products and pork. Trade with Mexico supports nearly 96,000 jobs, and Mexican investment supports over 1,200 jobs in the state.

Iowa

Iowa exports $2.1 billion in goods to Mexico, and Mexico is Iowa's second largest export market. Mexico is Iowa's largest corn export market, generating $466 million and accounting for 48 percent of all Iowa's corn exports. Other important farm exports include soybeans and products and pork. Trade with Mexico supports over 53,000 jobs, and Mexican investment supports nearly 1,560 jobs in the state.

Kansas

Kansas exports $1.8 billion in goods to Mexico, and Mexico is Kansas's third largest export market. Transportation equipment is Kansas' strongest export industry to Mexico, accounting for $560 million in revenue annually and 31 percent of total exports to Mexico. Its key farm exports are wheat, beef, soybeans and feed grains. Trade with Mexico supports almost 48,000 jobs, and Mexican investment supports over 630 jobs in the state.

Kentucky

Kentucky exports over $2.2 billion in goods to Mexico, and Mexico is Kentucky's second largest export market. Transportation equipment accounts for 31 percent of Kentucky's total exports to Mexico, totaling $619 million. Kentucky's main farm exports are soybeans and products, tobacco, livestock products, corn and wheat. Trade with Mexico supports over 61,000 jobs, and Mexican investment supports 3,330 jobs in the state.

Louisiana

Louisiana exports $5.8 billion in goods to Mexico. It is the seventh biggest export state to Mexico, and Mexico is Louisiana's second largest export market. Louisiana's oil refined products account for 41 percent of the state's total exports to Mexico, exceeding $2.4 billion. Its main farm exports are soybeans and products, rice, cotton, livestock products and grains. Trade with Mexico supports over 65,000 jobs, and Mexican investment supports over 500 jobs in the state.

Maine

Maine exports $60 million in goods to Mexico. Paper is Maine's top export sector to Mexico, with $18 million, accounting for 30 percent of the state's total exports to Mexico. Maine's main farm exports are potatoes and other vegetables, fruits and dairy products. Trade with Mexico supports over 22,000 jobs, and Mexican investment supports over 560 jobs in the state.

Maryland

Maryland exports $442 million in goods to Mexico. Computers and electronics account for 32 percent of Maryland's exports to Mexico, and chemicals are also an important export to Mexico. Maryland's main farm exports are soybeans, chicken, wheat and corn. Trade with Mexico supports over 96,000 jobs, and Mexican investment supports over 360 jobs in the state.

Massachusetts

Massachusetts exports $2.6 billion in goods to Mexico, and Mexico is the state's third largest export market. Mexico is the largest export market for computers and electronics, generating $1.5 billion and accounting for 21 percent of Massachusetts' exports globally for this sector. The state's main farm exports are livestock products and fruits. Trade with Mexico supports over 118,000 jobs, and Mexican investment supports over 560 jobs in the state.

Michigan

Michigan exports $11.1 billion in goods to Mexico. Michigan is the third biggest export state to Mexico, and Mexico is Michigan's second largest export market. Transportation equipment, especially automotive products, is Michigan's strongest export industry to Mexico, accounting for over $4.6 billion and 40 percent of the state's total exports to Mexico. Over a quarter (26 percent) of Michigan's global machinery exports go to Mexico. The state's principal farm exports are soybeans, dairy, feed grains, wheat and fruits. Trade with Mexico supports over 138,000 jobs, and Mexican investment supports nearly 1,800 jobs in the state.

Minnesota

Minnesota exports $2.4 billion in goods to Mexico, and Mexico is Minnesota's third largest export market. $390 million in transportation equipment are exported to Mexico annually. Generating $330 million, 72 percent of Minnesota's global auto parts exports go to Mexico. Minnesota's main farm exports are corn, pork, soybeans and dairy products. Trade with Mexico supports over 93,000 jobs, and Mexican investment supports over 1,400 jobs in the state.

Mississippi

Mississippi exports $1.1 billion in goods to Mexico, and Mexico is Mississippi's third largest export market. Mexico is the state's largest export market for chemicals, generating $225 million and accounting for a fifth of all the state's exports to Mexico. Mississippi's main farm exports are soybeans, chicken, cotton and rice. Trade with Mexico supports nearly 41,000 jobs, and Mexican investment supports nearly 2,000 jobs in the state.

Missouri

Missouri exports over $2.5 billion in goods to Mexico, and Mexico is Missouri's second largest export market. $244 million in primary metal manufacturing is exported to Mexico. Its principal farm exports include soybeans, corn, pork, beef, cotton and rice. Trade with Mexico supports over 97,000 jobs, and Mexican investment supports nearly 1,500 jobs in the state.

Montana

Montana exports $41 million in goods to Mexico. Montana exports $7 million in wood products to Mexico, and 11 percent of Montana's total exports to Mexico are oil refined products. Its principal farm exports are wheat, corn and beef. Trade with Mexico supports nearly 17,000 jobs in the state.

Nebraska

Nebraska exports $1.3 billion in goods to Mexico, and Mexico is Nebraska's second largest export market. Mexico is the largest export market for processed foods from Nebraska, with $423 million, accounting for 18 percent of Nebraska's total exports of these products. Its main farm exports are soybeans, beef and corn. Trade with Mexico supports nearly 34,000 jobs, and Mexican investment supports nearly 1,200 jobs in the state.

Nevada

Nevada exports $447 million in goods to Mexico. Computers and electronic products are the state's largest export industries to Mexico, generating $263 million, and Mexico is the largest export market for game machines from Nevada worth $23 million. Nevada's main farm exports are feed grains, dairy products and beef. Trade with Mexico supports nearly 44,000 jobs, and Mexican investment supports over 1,300 jobs in the state.

New Hampshire

New Hampshire exports $503 million in goods to Mexico, and Mexico is New Hampshire's second largest export market. Computers and other electronic products account for 56 percent of New Hampshire's total exports to Mexico, reaching $283 million in 2015. The state's main farm exports are dairy products, poultry and horticulture. Trade with Mexico supports over 22,000 jobs, and Mexican investment supports over 110 jobs in the state.

New Jersey

New Jersey exports $2.6 billion in goods to Mexico, and Mexico is New Jersey's second largest export market. New Jersey's chemical-pharmaceutical industry accounts for 47 percent of the state's total exports to Mexico, generating $1.2 billion. The state's principal farm exports are fruits, vegetables and soybeans. Trade with Mexico supports nearly 141,000 jobs, and Mexican investment supports over 940 jobs in the state.

New Mexico

New Mexico exports $1.7 million in goods to Mexico, and Mexico is the state's largest export market. Computers and electronic products are New Mexico's top exports to Mexico, surpassing $1 billion and accounting for 43 percent of the state's sector exports globally. Mexico is the largest export market of electrical equipment, fabricated metal products, processed foods, transportation equipment, plastics, paper, among other sectors. New Mexico's main farm exports are tree nuts, dairy, beef and cotton. Trade with Mexico supports nearly 27,000 jobs, and Mexican investment supports nearly 900 jobs in the state.

New York

New York exports $3.1 billion in goods to Mexico. Machinery is New York's largest export industry to Mexico, generating $828 million. Mexico is New York's largest export market for jewelry made with precious and semi-precious stones. With 424,000 annual visitors, Mexicans rank among New York City's top 10 international travelers. New York's main farm exports are dairy products and fruits and vegetables. Trade with Mexico supports over 322,000 jobs, and Mexican investment supports nearly 5,600 jobs in the state.

North Carolina

North Carolina exports $3.2 billion in goods to Mexico, and Mexico is North Carolina's second largest export market. Chemicals are the state's largest export sector to Mexico, generating $784 million, and Mexico is the second largest export market of textiles and fabrics, generating $296 million. North Carolina's chief farm exports are pork, tobacco, chicken, soybeans, vegetables and wheat. Trade with Mexico supports nearly 152,000 jobs, and Mexican investment supports nearly 3,500 jobs in the state.

North Dakota

North Dakota exports $295 million in goods to Mexico, and Mexico is North Dakota's second largest export market. Mexico is the second largest export market of agricultural products and processed foods, generating $152 million and $63 million, respectively. The state's main farm exports are wheat, corn, soybeans and beef. Nearly all of North Dakota's total exports of malt and barley go to Mexico, generating $97 million. Trade with Mexico supports over 13,000 jobs in the state.

Ohio

Ohio exports $6.5 billion in goods to Mexico. It is the sixth biggest export state to Mexico, and Mexico is Ohio's second largest export market. Transportation equipment is Ohio's largest export sector to Mexico, representing 28 percent of the state's total exports, with $1.8 billion in revenue. Ohio's chief farm exports are soybeans, corn, wheat, pork, beef and dairy products. Trade with Mexico supports almost 178,000 jobs, and Mexican investment supports nearly 1,900 jobs in the state.

Oklahoma

Oklahoma exports $565 million in goods to Mexico, and Mexico is Oklahoma's second largest export market. Oklahoma's metal products account for $105 million in exports to Mexico, the state's second largest export market, and chemicals represent the state's second largest export industry to Mexico, generating $92 million. Oklahoma's main farm exports are beef, wheat, pork, chicken, soybeans, corn and cotton. Trade with Mexico supports nearly 51,000 jobs, and Mexican investment supports 3,900 jobs in the state.

Oregon

Oregon exports $406 million in goods to Mexico. Computers and electronic products are the state's main export industries to Mexico, generating $93 million annually. $62 million in machinery is exported to Mexico, accounting for 15 percent of Oregon's total exports to that country. Plastic products generate another $41 million and account for 10 percent of the state's exports to Mexico. Oregon's main farm exports are fruits, wheat, vegetables, beef and dairy. Trade with Mexico support over 57,000 jobs, and Mexican investment supports over 630 jobs in the state.

Pennsylvania

Pennsylvania exports $4.2 billion worth of goods to Mexico. It is the 10th biggest export state to Mexico, and Mexico is Pennsylvania's second largest export market. Chemicals are Pennsylvania's top export sector to Mexico, representing $1 billion and 24 percent of the state's total exports to Mexico. In addition, $514 million in machinery is exported to Mexico, accounting for 12 percent of the state's global machinery exports. Pennsylvania's chief farm exports are dairy products, corn, soybeans, pork, beef and poultry. Trade with Mexico supports nearly 200,000 jobs, and Mexican investment supports over 6,300 jobs in the state.

Rhode Island

Rhode Island exports $181 million in goods to Mexico, and Mexico is Rhode Island's third largest export market. Electrical equipment is Rhode Island's top export industry to Mexico, generating $34 million and 19 percent of the state's total exports to that country. Rhode Island's chief farm exports are dairy products, fruits and vegetables. Trade with Mexico supports nearly 17,000 jobs in the state.

South Carolina

South Carolina exports $2.4 billion in goods to Mexico, and Mexico is the state's fifth largest export market. Plastics account for $581 million and 24 percent of the state's total exports to Mexico, and Mexico is the state's second largest export market of pneumatic tires, generating $336 million. South Carolina's chief farm exports are chicken, cotton, tobacco, soybeans and cotton. Trade with Mexico supports over 70,000 jobs, and Mexican investment supports over 2,700 jobs in the state.

South Dakota

South Dakota exports $404 million in goods to Mexico, and Mexico is South Dakota's second largest export market. The processed foods and beverages industries make up 56 percent of the state's exports to Mexico and generate $226 million. South Dakota's main farm exports include soybeans, corn, wheat, beef, pork and dairy. Trade with Mexico supports over 15,000 jobs, and Mexican investment supports over 930 jobs in the state.

Tennessee

Tennessee exports $4.8 billion in goods to Mexico. It is the ninth biggest export state to Mexico, and Mexico is Tennessee's second largest export market. 68 percent of all craft paper exports from Tennessee go to Mexico, and $965 million worth of transportation equipment is exported to that country. Tennessee's main farm exports include soybeans, cotton, tobacco, wheat, corn and beef. Trade with Mexico supports nearly 100,000 jobs, and Mexican investment supports 2,550 jobs in the state.

Texas

Texas exports $95 billion in exports to Mexico. It is the top exporting state to Mexico, and Mexico is Texas' largest export market. One out of every three dollars that Texas earns in total export revenue comes from Mexico. Computers and electronic products make up 26 percent of Texas' exports to Mexico, generating $24.4 billion annually. Transportation equipment is Texas' second largest export industry to Mexico, surpassing $11.5 billion annually. Mexico is also Texas' largest export market of oil refined products, exceeding $10.7 billion. The state's main farm exports include cotton, wheat, beef, dairy products, chicken, corn, rice and tree nuts. Trade with Mexico supports over 382,000 jobs, and Mexican investment supports over 20,000 jobs in the state.

Utah

Utah exports $854 million in goods to Mexico. Transportation equipment accounts for 29 percent of the state's exports to Mexico, generating $250 million. 65 percent of Utah's minerals and ores exports globally go to Mexico. Utah's main farm exports are dairy products, beef, pork and wheat. Trade with Mexico supports nearly 47,000 jobs, and Mexican investment supports over 400 jobs in the state.

Vermont

Vermont exports $213 million in goods to Mexico. Computers and electronic products are Vermont's largest export sectors to Mexico, generating $82 million. 26 percent of Vermont's processed food exports globally go to Mexico. The state's main farm exports are dairy products and beef. Trade with Mexico supports over 11,000 jobs, and Mexican investment supports over 60 jobs in the state.

Virginia

Virginian exports $1.2 billion in goods to Mexico, and Mexico is Virginia's third largest export market. Chemicals are the state's largest export industry to Mexico, generating $201 million. Virginia's main farm exports are soybeans, chicken, tobacco, beef, cotton, dairy and wheat. Trade with Mexico supports nearly 134,000 jobs, and Mexican investment supports nearly 1,400 jobs in the state.

Washington

Washington exports $1.9 billion in goods to Mexico. Exports of airplanes and aerospace components to Mexico reach $507 million annually. Mexico is the largest export market for apples cultivated in Washington, generating $139 million. Other key farm exports include other fruits, wheat, vegetables, dairy and beef. Trade with Mexico supports nearly 107,000 jobs, and Mexican investment supports over 900 jobs in the state.

West Virginia

West Virginia exports $184 million in goods to Mexico. Chemical exports to Mexico generate $97 million for the state. West Virginia's main farm exports include chicken, beef and soybeans. Trade with Mexico supports over 23,000 jobs, and Mexican investment supports nearly 400 jobs in the state.

Wisconsin

Wisconsin exports $3 billion in goods to Mexico, and Mexico is Wisconsin's second largest export market. Transportation equipment is the state's largest export industry to Mexico, generating $538 million annually and representing 25 percent of the state's total exports of this sector. Mexico is the top export market for Wisconsin cheese, generating $71 million and accounting for 46 percent of the state's global cheese exports. Other key farm exports include soybeans, corn and beef. Trade with Mexico supports over 196,000 jobs, and Mexican investment supports nearly 5,000 in the state.

Wyoming

Wyoming exports $30 million in goods to Mexico. Oil refined products make up 27 percent of Wyoming's exports to Mexico, generating $8 million, and 45 percent of Wyoming's global wood products exports go to Mexico. In addition, Wyoming's mineral industries export $4 million to Mexico. The state's main farm exports are beef, pork and wheat. Trade with Mexico supports over 9,000 jobs, and Mexican investment supports over 80 jobs in the state.

Section VI: General – The Benefits of Trade (In Both Directions)

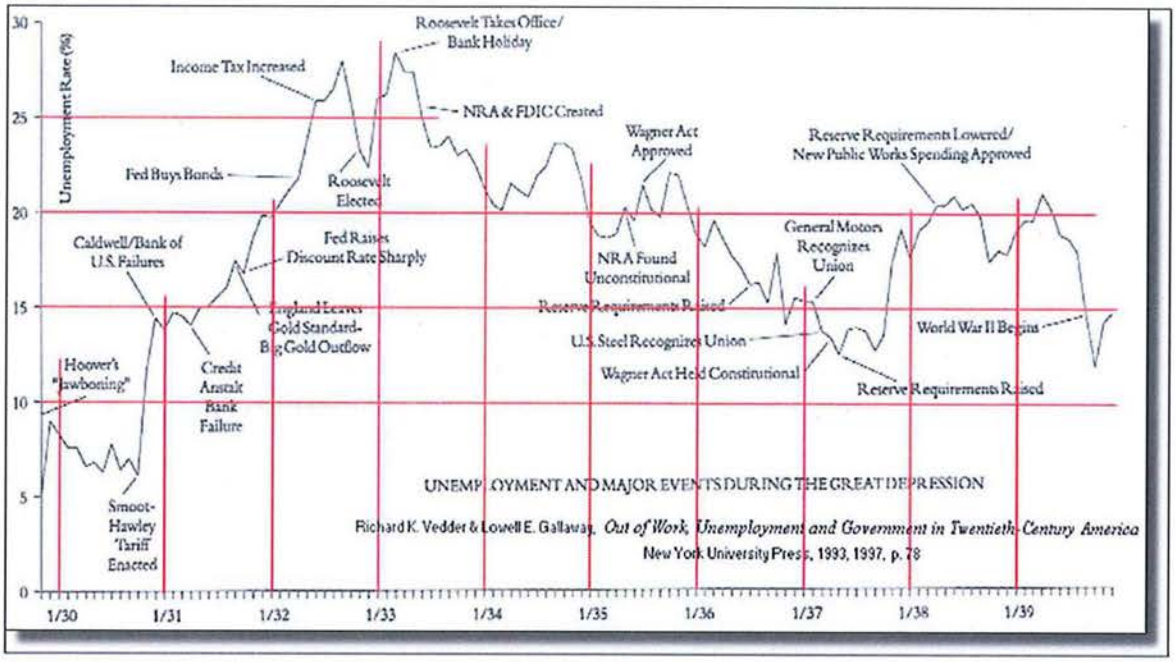
It is wrong to believe that exports are inherently good and imports are inherently bad, or that there is no job creation from imports. Trade in both directions creates jobs in such fields as port loading and unloading, transportation, wholesale trade, processing, retail trade, construction and finance. An analysis by the Heritage Foundation found, by way of example, that in 2010 "imports of apparel from China helped support 355,000 American jobs." And that in toy and sporting goods, "imports helped support 221,000 jobs."[8] To different degrees the same can be said about imports in virtually every product sector.

The Heritage Foundation analysis also points out that import statistics do not take into account how much of the value of a product was actually produced in the exporting country. In many cases, only part of an imported product originated in the exporting country. Other parts, inputs or the intellectual property used to create the item originated in other countries, including the country importing the final product. This is particularly true in the case of the three NAFTA countries. According to former U.S. Trade Representative Carla Hills, "For every dollar of goods that Canada and Mexico export to the United States, there are 25 cents' worth of U.S. inputs in the Canadian goods and 40 cents' worth in the Mexican goods.[9]

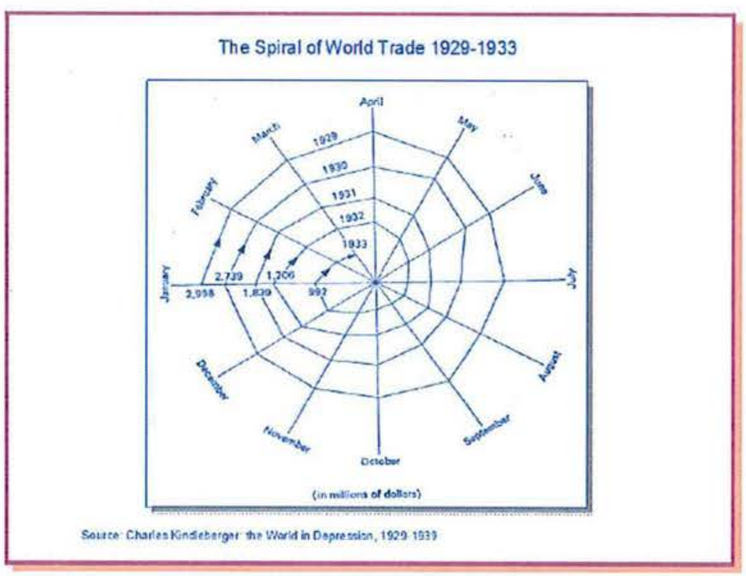
The point of this section is to ensure that governmental actions to limit imports are not viewed as an easy or harmless tool to address trade deficits or job losses. The unintended consequences could and likely would cause great harm, to very little benefit.

In fact, the United States has some real-world experience in this regard. After the stock market crash in October 1929 and unemployment began to rise, Congress decided it would be a good idea to impose additional tariffs on imports "to save jobs." Despite the pleas of 1,028 mainstream economists to President Hoover to veto the bill, it became law in 1930.

The chart on the next page shows that unemployment had started to ease after the initial bump and prior to imposition of the tariffs but nearly doubled to 14 percent in the two months after the tariffs were imposed. The immediate effect of the tariffs was to destroy U.S. jobs in import-related fields, such as dockworkers, transportation, importers, distributors, etc. Then, since tariffs are paid by American importers, who pass the higher costs along to consumers, higher prices of imported goods helped feed inflation and reduced disposable income of most Americans. Within two years, the unemployment rate had reached 27 percent.



U.S. exports also crashed as a result of foreign retaliatory tariffs, as well as the fact that trading partners lacked the foreign exchange needed to purchase our goods (since they could no longer sell to us). The Great Depression was in full force and became global. The rest of the 1930s, as they say, is history. (See the chart below.)



End Notes

[1] Wall Street Journal, "NAFTA's Net U.S. Impact is Modest, Wall Street Journal" January 27, 2017

[2] Walter Kemmsies, Chief Economist at Moffatt Nichol, as quoted in "NAFTA, 20 Years Later: Do the Benefits Outweigh the Costs?" Knowledge@Wharton

[3] Carla Hills, "NAFTAs' Economic Upsides: The View from the United States"

[4] Kate Linthicum, LA Times, "Mexico's president warns that if Trump wants to talk trade, he'll have to talk security, too"

[5] Joseph W. Glauber, "Likely Effects of a Trade for U.S. Agriculture? Sad!" University of Guelph, Institute for the Advanced Study of Food and Agricultural Policy

[6] https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/ag-and-food-sectors-and-the-economy.aspx.

[7] Letter from Agricultural Producer Groups to President-Elect Trump, January 6

[8] Trade Freedom: How Imports Support U.S. Jobs, September 12, 2012

[9] Carla Hills, "NAFTAs' Economic Upsides: The View from the United States"

From: [redacted]@dfamilk.com
Sent: Thursday, July 27, 2017 2:47 PM
To: Klippenstein, Brian - OSEC, Washington, DC
Subject: FW: The Hagstrom Report | Thursday 07.27.2017

Looks like Danita is staying where she is

Jackie Klippenstein
816-801-6392 (desk)

From: The Hagstrom Report [mailto:info@hagstromreport.com]
Sent: Thursday, July 27, 2017 1:40 PM
To: Jackie Klippenstein [redacted]@dfamilk.com>
Subject: The Hagstrom Report | Thursday 07.27.2017

Web Version

The Hagstrom Report

Agriculture News As It Happens

The Hagstrom Report

Thursday, July 27, 2017 | Volume 7 Number 124

- Senate Ag hears CFTC nominees, no action on Censky, Clovis yet
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- House Ag announces listening session in Illinois
- Murray promoted at Senate Ag, Clark joins staff

• Partnership for Healthier America names new president/CEO
• Farm Credit leaders hold reception at Library of Congress

From left, Commodity Futures Trading Commission nominees Rostin "Russ" Behnam, Brian Quintenz and Dawn Stump before the Senate Agriculture Committee today. (Jerry Hagstrom/The Hagstrom Report)

Senate Ag hears CFTC nominees, no action on Censky, Clovis yet

The Senate Agriculture Committee today held a confirmation hearing on President Donald Trump's three nominees for the Commodity Futures Trading Commission — but it is not ready yet to schedule a hearing on Trump's nomination of Steve Censky to be Agriculture deputy secretary or other nominees.

At the conclusion of the hearing, Senate Agriculture Committee Chairman Pat Roberts, R-Kan., said that he and Senate Agriculture ranking member Debbie Stabenow, D-Mich., had agreed that the three nominees — Republicans Brian Quintenz and Dawn Stump and Democrat Rostin "Russ" Behnam — are "very good, outstanding nominees" and this is a "unique opportunity" to have a full five-member CFTC for the first time in several years.

At the hearing, the three nominees committed themselves to the completion of the position limits rule and expressed enthusiasm for the leadership of CFTC Acting Chairman Christopher Giancarlo.

Behnam, who has worked as an aide to Stabenow, expressed more support for increasing the CFTC budget than the Republican nominees did.

Sen. John Thune, R-S.D., noted that farmers and ranchers have complained that the CME Group's live cattle contract is not functioning properly and the nominees

seemed to agree that all stakeholders need to work together to find a solution if a contract does not work.

Roberts noted that the committee under its rules could not vote on the nominees today, but said "we will endeavor to do so in the very near future."

He added that it would be a "wonderful message" to farmers and ranchers to have "a full commission on their behalf."

Stabenow told *The Hagstrom Report* that she doesn't know if the Senate will confirm the CFTC nominees before the August recess.

House Agriculture Committee Chairman Michael Conaway, R-Texas, also called for quick confirmation of these "quality nominations."

"As we look to protect the public and ensure the integrity of our futures and swaps markets, it is imperative we restore the commission to its full strength," Conaway said.

Status of Censky, Clovis, other nominations

Stabenow also said the committee has now received all the paper work to consider the Censky nomination for Agriculture deputy secretary.

But a committee aide said that the staff is still going through Censky's speeches over his long career as CEO of the American Soybean Association, and it is unclear whether the committee can hold a hearing on him before the recess.

The Senate is scheduled to stay in session until mid August, but the Senate may recess earlier.

The committee is not yet ready to hold a hearing on Sam Clovis, Trump's nominee for Agriculture undersecretary for research, education and economics, the aide said.

Stabenow, who has expressed reservations about Clovis's qualifications because the undersecretary is also USDA's chief scientist and because he has questioned the constitutionality of federal crop insurance, said today Clovis "has a lot of questions to answer."

Stabenow added she has not met with Clovis, but meets with all nominees.

Michael Jacobson, cofounder and president of the Center for Science in the Public Interest, said Wednesday that Clovis "should not have been nominated, and the law requires that he not be confirmed" because "the statute authorizing the position specifically requires that the nominee come 'from among distinguished scientists with specialized training in agricultural research, education, and economics.'"

Michael Jacobson

Jacobson continued, "Sam Clovis has been a business school professor, a conservative talk radio host, an Air Force official, and, of course, a Trump campaign official. There are likely senior jobs in the administration that he would have been qualified to hold, but the job of USDA chief scientist is not one of them."

Trump has also nominated Ted McKinney, the Indiana agriculture director, for Agriculture undersecretary for trade and global agricultural affairs.

Sen. Charles Grassley, R-Iowa, said today he expects Trump within two weeks to nominate Bill Northey, the Iowa agriculture secretary, as Agriculture undersecretary for farm production and conservation, the *Food and Environment Reporting Network* said today.

- Statement by CFTC nominee Rostin Behnam
- Statement by CFTC nominee Brian Quintenz
- Statement by CFTC nominee Dawn Stump
- Center for Science in the Public Interest — Unqualified Clovis Should Not Have Been Nominated and Must Not Be Confirmed

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Sonny Perdue

José Calzada Rovirosa

Perdue travels to Mexico

Agriculture Secretary Sonny Perdue is traveling to Merida, Mexico, today and Friday to meet Mexican Secretary of Agriculture José Calzada Rovirosa, his office announced late Wednesday.

"The two leaders will engage in bilateral meetings Thursday and Friday — including a panel discussion with U.S. and Mexican producers, several agricultural site visits, and a joint press conference — seeking to build on the U.S. and Mexico's well-developed track record of collaboration on agricultural trade issues, and on the personal relationship forged when Perdue hosted Calzada in Savannah, Ga., last month," USDA said in a media advisory.

Most ag leaders apprehensive about NAFTA renegotiation

At a House Agriculture Committee hearing Wednesday about the Trump administration's renegotiation of the North American Free Trade Agreement, grain, oilseed, beef and poultry leaders expressed growing apprehension that the atmosphere is leading to reduced farm exports while dairy and Florida tomato industry leaders said they hope the negotiation can help them deal with problems with Canada and Mexico, respectively.

House Agriculture Committee Chairman Michael Conaway, R-Texas, said in an opening statement that he believes that farmers and ranchers can benefit from updating the 23-year old agreement.

Conaway said he considers President Donald Trump "a master negotiator. I trust his negotiating instincts to make this happen."

But the grain, oilseed, beef and poultry leaders all said that the top goal of the renegotiation should be to "do no harm" to agriculture exports.

Under NAFTA, Mexico has become the No. 1 market for U.S. corn exports, but U.S. corn exports to Mexico this year have declined 4 percent by volume and 7 percent by value, said Floyd Gaibler, the director of trade policy and biotechnology for the U.S. Grains Council, which promotes U.S. feed grains exports.

Floyd Gaibler

Mexico is expected to import between seven and eight cargoes of corn from South America beginning in August and September and if those shipments materialize the Grains Council expects further "erosion" of its Mexican market, Gaibler added.

"If we are not getting the negotiation done by the end of the year, we anticipate this erosion will continue," he said.

The renegotiation could benefit U.S. farmers if it contains a mutual recognition agreement with Canada and Mexico on the safety determination of biotech crops

and a consistent approach to managing low-level presence of products that have undergone a safety assessment, Gaibler added.


Thomas Hammer

Mexico has also increased its imports of soybeans and soy products and meat from animals that eat soybeans since the implementation of NAFTA 23 years ago, Thomas Hammer, president of the National Oilseed Processors Association, said.

U.S. exports of soybeans and soy products totaled $415 million to Canada and $2.5 billion to Mexico in 2016, while exports of meat and poultry products totalled $2.07 billion to Canada and $3.25 billion to Mexico, Hammer added.

In recent months, he said, Mexican buyers have been asking for shorter contract terms, which is "not good for us."

While a survey of NOPA members did not uncover any "trade irritants or non-tariff barriers" with Mexico or Canada that could be addressed in the renegotiation, NOPA members could benefit from increased market access for U.S. exports of dairy poultry and eggs to Canada and the same biotech provisions that the U.S. Grains Council favors, Hammer said.


Kevin Brosch

Kevin Brosch, a trade consultant representing the National Chicken Council, the National Turkey Federation and the USA Poultry & Egg Export Council, said that Mexico is "by far our largest market for U.S. poultry products" and that, while access to the Canadian market has been limited, Canada is still the second largest market for poultry exports.

Brosch said Mexican food processors used to regard the United States as a "pushy big brother," but now "they're looking at Brazil, they're looking at other sources of supplies."

"NAFTA has been a godsend for U.S. poultry," he said, adding that a six-pound chicken amounts to the export of 12 pounds of soybeans that the animal has eaten over the course of its life.

Brosch said that the Trans-Pacific Partnership agreement from which the Trump administration has withdrawn contained a "preliminary agreement" that would have increased the Canadian quota for U.S. chicken and improved sanitary and phytosanitary rules.

"The poultry industry considers the progress on poultry trade that had been envisioned in those preliminary TPP negotiations as potentially important components in modernizing the NAFTA in several ways," Brosch said.

Kendal Frazier, CEO of the National Cattlemen's Beef Association said that NAFTA "has developed all of North America into a premium market for U.S. beef sales," although Mexico and Canada rank only third and fourth in dollar value, behind Japan and Korea.

Kendal Frazier

Frazier said the biggest danger in the NAFTA negotiations would come if the United States tried to re-establish country-of-origin labeling for red meat, a program the United States stopped after Canada and Mexico won a World Trade Organization case on the grounds that the labeling scheme led U.S. meat processors to discriminate against Canadian and Mexican animals.

The National Farmers Union and other groups have called on the Trump administration to propose re-establishing COOL, but NCBA opposes that idea.

In contrast, former Agriculture Secretary Tom Vilsack, the president and CEO of the U.S. Dairy Export Council, said the NAFTA dairy provisions in relationship to Canada are "in urgent need of improvement."

Tom Vilsack

"Whenever the U.S. begins to create a small foothold in Canada's dairy market, the Canadian government creates new classifications, categories or standards to make U.S. dairy exports non-competitive with domestic product," Vilsack said.

"The most recent manifestation of this practice was witnessed earlier this year with Canada's new pricing scheme that essentially wiped out an export market for ultrafiltered milk that U.S. processors had developed and for which many U.S. dairy farmers had come to rely upon as a market for their milk."

Vilsack also said it is vital to finish the NAFTA renegotiation as quickly as possible to try to stop the European Union's attempt to include Canada and Mexico in its global attempt to win further acceptance of geographic indicators, the system of labeling that says certain products can use the names of places where the product originated only if the product is produced in that place.

"Canada already recognizes GIs. The EU is talking to Mexico about GIs. And, just recently, Japan struck an agreement with the EU that recognizes geographic indicators," Vilsack said.

Canada "intentially tries to shirk its dairy commitments" international agreements, Vilsack said, citing its decision in its free trade agreement with the European Union to provide GI protection to asiago, feta, fontina, gorgonzola and muenster cheeses, which the U.S. industry considers to be common names.

"NAFTA would offer a prime chance to press Canada to hold U.S. companies harmless from this unwarranted nontariff barrier on U.S. cheese," Vilsack said. The TPP text on GIs could be a starting point in that negotiation, he said.

House Agriculture Committee ranking member Collin Peterson, D-Minn., said he is particularly interested in the dairy negotiations because Canadian dairy firms have made so much money under Canada's supply management system that they have been buying up U.S. dairy processing facilities.

Reggie Brown, executive vice president of the Florida Tomato Exchange, said that since NAFTA eliminated tariffs, Mexico has developed an unfair advantage in specialty crops because it has been unfairly subsidizing greenhouses, shade-houses and tunnel farms that produce tomatoes, cucumbers, bell peppers and berries not only during the traditional winter months from November to March but other parts of the year.

Reggie Brown

This has led to "staggering losses" for specialty crops in Florida and other southeastern states, Brown said.

"We are the canary in the coal mine" for what can happen to the specialty crop industry throughout the country, he added.

Rep. Jimmy Panetta, D-Calif., challenged Brown's concerns about Mexican imports, noting that there are farmers in the Salinas Valley in his district who have established farms in Mexico and use the profits from those farms to modernize their facilities in California.

Brown said the Florida tomato industry hopes the administration will include a "narrow provision" to protect it from unfair Mexican practices, but that the industry is also asking the administration to pursue other trade remedies.

Brown said the Florida tomato industry filed an anti-dumping case against Mexico 20 years ago, but it has never produced any results.

Asked why the cane and beet growers had succeeded in convincing the U.S. government to bring Mexico to the table over Mexican subsidization and dumping of sugar in the United States, Brown said, "Sugar is a force. We are a product."

Witness testimony

- Tom Vilsack, president and CEO, U.S. Dairy Export Council, Arlington, Va.
- Kendal Frazier, chief executive officer, National Cattlemen's Beef Association, Centennial, Colo.
- Kevin Brosch, Brosch Trade, LLC, Woodville, Va., on behalf of National Chicken Council, National Turkey Federation, and USA Poultry & Egg Export Council
- Floyd Gaibler, director of trade policy and botechnology, U.S. Grains Council, Washington
- Thomas Hammer, president, National Oilseed Processors Association, Washington
- Reggie Brown, executive vice president, Florida Tomato Growers Exchange, Maitland, Fla., on behalf of the Florida Fruit and Vegetable Association

United Fresh holds mixed views on NAFTA concerns

The United Fresh Produce Association hopes the North American Freed Trade Agreement renegotiation can address the concerns of growers in certain areas, but not damage the overall trade relationship with Mexico and Canada.

Robert Guenther, senior vice president for public policy for the national organization, was asked to comment on the Florida tomato industry's views on NAFTA expressed at the House Agriculture Committee Wednesday.


Robert Guenther

"One of the significant complexities in international trade is how different business sectors fare with regard to export and imports of competitive products," Guenther told *The Hagstrom Report* in an email.

"This is true for different sectors of agriculture, and also for different individual commodities in the fruit and vegetable sector. Today's hearing highlighted competitive concerns of the Florida tomato industry, which has been a serious issue for the United States and trading partners for many years.

"At the same time, other U.S. fruit and vegetable sectors such as the apple industry have found significant market success for exports to NAFTA partners. Due to the wide variability in market impact for different fruit and vegetable sectors, the broad produce industry must look to international trade agreements to reflect broad principles, not focus on any one commodity or region."

Guenther added that under NAFTA "the business of fresh fruit and vegetable production, distribution and marketing has become highly integrated across the United States, Mexico and Canada."

"As highlighted in today's hearing, United Fresh also recognizes that U.S. producers of certain commodities in certain regions face more competitive markets than others from Mexican or Canadian production," Guenther said.

"We support the administration seeking to understand these concerns, and potentially assisting vulnerable commodities with WTO-acceptable support programs. However, the answer to competition cannot be erecting protectionist barriers that would only be mimicked by other countries to protect their own industries from U.S. exports."

Senators urge Perdue to reopen China for poultry

Sens. Mark Warner, D-Va., and Senate Appropriations Committee Chairman Thad Cochran, R-Miss., on Wednesday led a bipartisan group of 37 senators in urging Agriculture Secretary Sonny Perdue to push the Chinese government to end its ban on the sale of American poultry products.

"We are encouraged by the administration's recent efforts to reopen the Chinese beef trade market, and are pleased you have made lifting the Chinese ban on U.S. poultry products one of your top priorities as Agriculture secretary," the letter said.

"In January 2015, China banned all poultry products from the United States due to the detection of a wild duck with highly pathogenic avian influenza (HPAI). More than two years later, China continues to enforce this ban, which is inconsistent with World Organization for Animal Health standards. As a result, U.S. poultry producers have been negatively affected by the loss of this burgeoning export market," the senators said.

"We understand and are encouraged that China has begun its animal health audit of the U.S. poultry industry. Once this audit is completed, we encourage USDA to remain diligent in seeking final Chinese approval for U.S. poultry's first successful shipment as quickly as possible. Poultry products are often part of the Chinese New Year celebrations, and our farmers would very much like to be able to offer their products during that time," the senators added.

The National Turkey Federation, National Chicken Council and USA Poultry and Egg Export Council thanked the senators for writing the letter and noted that at its peak, the value of poultry exports from the U.S. to China was $71 million for turkey and $722 million for chicken.

- Senate Letter to Secretary Perdue on Poultry

Trump administration to formally withdraw WOTUS rule

The Environmental Protection Agency and the U.S. Army Corps of Engineers is planning to formally propose withdrawing the Clean Water Rule, also known as the Waters of the United States rule today, according to a *Federal Register* notice.

"In this proposed rule, the agencies would rescind the 2015 Clean Water Rule and replace it with a recodification of the regulatory text that governed the legal regime prior to the 2015 Clean Water Rule and that the agencies are currently implementing under the court stay, informed by applicable guidance documents (e.g., the 2003 and 2008 guidance documents, as well as relevant memoranda and regulatory guidance letters), and consistent with the SWANCC and Rapanos Supreme Court decisions, applicable case law, and longstanding agency practice," the notice says.

- *Federal Register* – Definition of 'Waters of the United States' – Recodification of Pre-existing Rules

The Agriculture and Rural Prosperity Task Force met over breakfast Tuesday in the Lincoln Dining Room at Agriculture Department headquarters. (USDA/Lance Cheung)

Perdue hosts ag task force meeting

Agriculture Secretary Sonny Perdue this week hosted a 90-minute working breakfast meeting with members of President Donald Trump's Agriculture and Rural Prosperity Task Force, and announced plans to issue a final report by October.

"We're synchronizing departments and agencies across the federal government so that citizens can truly believe that their government can work faster, friendlier, and easier," Perdue said in a news release.

Commerce Secretary Wilbur Price, left, and Agriculture Secretary Sonny Perdue at Tuesday's

The meeting, held in the Lincoln Dining Room at USDA included Perdue, Commerce Secretary Wilbur Ross, Health and Human Services Secretary Tom Price, Transportation Secretary Elaine Chao, Housing and Urban Development Secretary Ben Carson, and Federal Communications Commission Chairman Ajit Pai USDA said.

Agriculture Task Force breakfast meeting. (USDA/Lance Cheung)

Also in attendance were representatives from the White House, the Treasury, Labor, Justice and Energy departments, the U.S. Army Corps of Engineers, USDA added.

Perdue said four working groups are gathering recommendations on issues regarding the quality of life in rural America; the rural workforce; innovation, technology, and data; and economic development.

Among the topics of discussion at the meeting were access to broadband, community infrastructure, community mental and physical health, workforce training and veterans' employment, agricultural research, regulatory reform, improved access to capital, and increased local control of decision-making, USDA said.

The participants agreed to a schedule of future meetings, both with principals and staff, with plans to write a report that will "recommend concrete action on statutes to be enacted or repealed; regulations to be promulgated, amended, or eliminated; and programs and policies to be implemented, streamlined, or discarded," USDA said.

Agriculture Secretary Sonny Perdue take a "selfie" of himself with state presidents of the National FFA Organization when the group visited USDA on Wednesday. (USDA/Lance Cheung)

USDA, FFA enter into MOU

Agriculture Secretary Sonny Perdue and National FFA CEO Mark Poeschl on Wednesday signed a memorandum of understanding that USDA and FFA, formerly

known as the Future Farmers of America, will work together to motivate and prepare young people for careers in agriculture.

Perdue and Poeschl signed the MOU when FFA state presidents visited the patio of the Agriculture Department's headquarters building.

FFA changed its name to just the initials in 1988 to reflect the fact that not all members come from farm families or intend to become farmers.

- Memorandum of Understanding Between USDA and National FFA Organization
- USDA welcomes 2017 National FFA Organization's State Presidents Conference (video)
- USDA New Farmers

House Ag announces listening session in Illinois

House Agriculture Committee Chairman Michael Conaway, R-Texas, and ranking member Collin Peterson, D-Minn., today announced the committee will hold a listening session on the next farm bill at the Farm Progress Show in Decatur, Ill. on August 30.

The event will begin at 9 a.m. and further details will be announced at a later date.

Murray promoted at Senate Ag, Clark joins staff

Senate Agriculture Committee Chairman Pat Roberts, R-Kan., has announced a promotion and additions to the staff of the committee.

DaNita Murray, the Republican senior counsel and policy director for the committee, will now also have the title of chief counsel.

Before joining the Senate Agriculture Committee staff, Murray worked as counsel for the House Agriculture Committee. She has also worked for the National Corn Growers Association on biotechnology policy and at the Agriculture Department as a special assistant in the Office of the Undersecretary for Food Safety, congressional liaison, and confidential assistant in the Farm Service Agency.

She received her undergraduate degree from South Dakota State University and her law degree from Drake University Law School. She grew up on her family's farm near Milbank, S.D.

Fred Clark, a former House aide and well-known lobbyist, joins the committee as senior counsel.

Since 2015, Clark has helped lead global missions as a volunteer at his local church. Before that, he was general counsel and managing partner for more than 10 years with Cornerstone Government Affairs, representing commodity, food, finance, and international entities.

Earlier he served as counsel to the PMA Group and was president of Clark & Muldoon, a law firm specializing in agriculture, trade, and finance.

Clark served for 10 years on the staff of the House, including eight years with the House Agriculture Committee, participating extensively in the writing of the 1985 and 1990 farm bills, the Ag Credit Act of 1987, and the Futures Trading Practices Act of 1992.

Raised in San Jose, Calif., Clark earned a bachelor of science in agricultural business management from Cal Poly San Luis Obispo and a law degree from Georgetown University Law Center.

Haley Donahue joins the committee as staff assistant and legislative correspondent after interning in Roberts' personal office earlier this year.

Donahue is a graduate of Emory University with a bachelor's degree in economics. Haley is from Vernon, Conn., and comes from a family in the agricultural shipping business.

Chance Hunley also joins the committee as staff assistant and legislative correspondent.

Hunley most recently worked as the events and marketing coordinator for the Kansas FFA Foundation.

He grew up in Riverton, Kan., and earned a bachelor's degree in agricultural communications and journalism from Kansas State University.

Partnership for Healthier America names new president/CEO

The Partnership for a Healthier America has named Nancy Roman president and CEO.

Roman, who will assume her position on September 5, will succeed Larry Soler, who founded the organization in 2010 to provide private sector support to First Lady Michelle Obama's Let's Move! effort.

Nancy Roman

The former first lady remains the honorary chair of the partnership and "is looking forward to working with Nancy and the entire PHA team in the years ahead," Melissa Winter, the former first lady's chief of staff, said in a news release.

Roman is president and CEO of the Capital Area Food Bank. In that role, she has moved the food bank toward providing healthier food to its beneficiaries.

"Food has the power to change lives, and partnerships have the power to change the world," Roman said. "Health and wellness are the bedrock to strong communities and a strong society – and I'm honored to be able to help PHA take its work fostering both of those things to the next level."

Before joining CAFB in January 2013, Roman was a top aide Josette Sheeran, executive director of the United Nation's World Food Programme in Rome. Sheeran, who had served in the Office of the U.S. Trade Representative and the State Department in the George W. Bush administration, was proposed to the United Nations for the position and appointed by U.N. officials.

Before joining WFP, Roman served as vice president of the Council on Foreign Relations in Washington; as president of the G7 Group, a strategic consulting firm; and as a journalist covering politics, Congress, foreign policy and economics. She came to Washington as press secretary and foreign affairs adviser for the late U.S. Rep. Clay Shaw Jr., R-Fla.

Roman holds a master of arts degree in international economics and American foreign policy from the Johns Hopkins School of Advanced International Studies and a bachelor of arts degree in journalism and French from Baylor University.

• Partnership for a Healthier America

More than 630 representatives of the Farm Credit System and their associates fill the Great Hall at the Library of Congress Wednesday night. (Zachary Silver/The Hagstrom Report)

Farm Credit leaders hold reception at Library of Congress

More than 630 Farm Credit leaders have been in Washington this week on a fly-in.

On Wednesday they visited their senators and House members and asked for farm bill provisions to provide a strong farm safety net with crop insurance, increasing the loan size limits of Farm Service Agency guaranteed loans, at least maintaining the current funding levels for both FSA guaranteed and direct loans and for improving rural infrastructure, a Farm Credit Council spokesman said.

On Wednesday evening, Farm Credit held a reception at the Library of Congress and showed off the wide variety of foods produced by their customers.

Farmers' Rice Cooperative from Sacramento, Calif., one of the many booths of Farm Credit customers, gives out packs of calrose rice ...

... and attendees take advantage of the free cider and bourbon tasting, provided by Albemarle CiderWorks, Flying Buck Distillery and Seventeen Twelve Spirits. (Zachary Silver/The Hagstrom Report)

From: Americas, International Division
Sent: Sunday, September 24, 2017 6:55 PM
To: Boswell, Kristi - OSEC, Washington, DC
Subject: U.S. Chamber Donohue Op-Ed: A Nafta Exit Would Be a Rotten Deal

A Nafta Exit Would Be a Rotten Deal

Hundreds of thousands of U.S. jobs would be lost, especially in heartland states that backed Trump

Wall Street Journal - Opinion
By Thomas J. Donohue
September 24, 2017
https://www.wsj.com/articles/a-nafta-exit-would-be-a-rotten-deal-1506289039

Imagine the scene a year from now: The U.S. unemployment rate is climbing. Crops in the heartland are rotting. Consumer prices are rising. Manufacturers are moving abroad. This vision isn't so far-fetched when you consider the increasingly precarious state of play in the effort to modernize the North American Free Trade Agreement.

Nafta supports millions of American jobs, and with thoughtful updates it could create millions more. Renegotiations with Canada and Mexico launched in August, but the White House continues hinting it may withdraw the U.S. from the trade agreement altogether. These threats must be taken seriously. Quitting Nafta would be an economic, political and national-security disaster.

How might the calamity unfold? Say the Trump administration pushes ideas that are opposed vociferously by the U.S. business and agriculture communities, as well as by the Canadian and Mexican governments. Such proposals might be to end the agreement's investment protections, add strict rules on domestic content, or impose a five-year sunset clause.

Those proposals would all but guarantee that negotiations break down-in which case, American officials insist, they will start to pull the U.S. out of the existing deal. That is within the White House's authority: Any of the three Nafta parties may withdraw from the agreement at six months' notice, which the president is empowered to provide.

Mexico would respond immediately, perhaps starting with its applied most-favored-nations tariff on grains, which ranges from 15% to 20%. That's the hefty duty now levied on corn, wheat and other products from countries such as Argentina and Brazil. In contrast, Nafta allows American farmers to sell crops to Mexico duty-free. If Mexico slashed the external tariff to zero, it would be able to

substitute billions of dollars in South American products for U.S. ones. Even if food from the U.S. remained slightly cheaper, years' worth of harsh rhetoric has left Mexicans furious and willing to pay more to send a message.

That's only one example of the broad and powerful effect pulling out of Nafta would have. Fourteen million American jobs depend on trade with Canada and Mexico, which are by far the U.S.'s largest export markets. Our North American neighbors buy more than $600 billion in U.S.-manufactured goods each year, more than the next 10 largest markets combined.

Thanks to Nafta, virtually all North American trade is tariff-free. After withdrawing from the deal, tariffs on all products would snap back to an average of 3.5% for the U.S., 4.2% for Canada, and 7.5% for Mexico-a terrible deal for all three countries.

The increased tariffs would hit American consumers and exporters in the pocketbook, but the losses would accumulate well before that. Supply chains would shift away from the U.S., as Canada and Mexico looked to their other free-trade partners, in Europe and Asia, for manufactured goods and food.

Hundreds of thousands of American jobs would be lost, and that's a conservative estimate. Heartland states that voted for President Trump would be hurt most, and angry voters would know exactly whom to blame.

Beyond the trade retaliation and economic fallout, cooperation between the U.S. and Mexico in other areas would fall off. Today the two countries work closely on antiterror and antinarcotics efforts, and Mexico helps limit Central American migration northward. These efforts would end overnight.

In light of these well-established facts, you'd think that threats to withdraw from Nafta-or proposals that inevitably would kill the deal-should be off the table. But they aren't. So here's an unequivocal warning: Undermining Nafta would be a grave and costly mistake that would hurt the very farmers, manufacturers, workers and families this White House purports to protect. Americans should do everything necessary to avert this grievous self-inflicted wound.

Mr. Donohue is president and CEO of the U.S. Chamber of Commerce.

From:	Nick Giordano
To:	Ted A. McKinney; Jason.Hafemeister1@osec.usda.gov; ken.isley@fas.usda.gov
Bcc:	Ken.Isley-FAS@mgd.usda.gov
Subject:	NPPC: Pork at Tip Of Spear from Tariff Backlash | Agweb.com
Date:	Wednesday, June 6, 2018 9:30:03 PM

https://www.agweb.com/mobile/article/nppc-pork-at-tip-of-spear-from-tariff-backlash/

NPPC: Pork at Tip Of Spear from Tariff Backlash

June 6, 2018 04:55 PM

Ask National Pork Producers Council (NPPC) Vice President and Counsel Nick Giordano about the impact of the Trump administration's tariffs on U.S. pork and his response is pointed and simple: "ouch!"

Mexico announced Wednesday it would raise tariffs on pork shoulders and legs, up to 20 percent by July 5. China had earlier announced new tariffs on U.S. pork products. Both moves come in response to a simmering trade war that has included new duties on Chinese products and tariffs on steel and aluminum from the European Union, Canada and Mexico.

"I know other industries have been caught up in retaliation for these trade disputes," Giordano told AgDay TV's Betsy Jibben at World Pork Expo. "But I think we're probably the biggest industry and the industry that's been impacted the most. China and Mexico are huge markets so we're not just at the tip of the spear in these trade disputes, the spear's in us and we are bleeding."

Still, Giordano voiced support for President Donald Trump and his administration, indicating that the president is working for a long-term solution that will benefit U.S. agriculture.

"The President of the United States, the Secretary of Agriculture are saying they're going to take care of farmers and ranchers and that's important,"

Giordano said. “So you're not going to see us anytime soon throwing rocks, but you know, we are certainly making it known to our policymakers and elected officials were really hurting.”

Giordano said NPPC leadership is telling members to be ready to hunker down and “be a patriot.”

Farmers, however, should have priority once the trade dust settles according to Giordano.

“We really should be first in line when it comes to making farmers whole,” he said. “And we're not asking for, you know, hog farmer payments or something like that. The best way to make us whole is to get us back in China, get us back in Mexico, get these trade disputes solved, get a bilateral free trade agreement with with Japan or go back in TPP.”

Watch the entire interview with Nick Giordano in the player above.

Sent from my iPhone

From: McKinney, Ted - OSEC, Washington, DC
To: Nick Giordano; Hafemeister, Jason - OSEC, Washington, DC; Isley, Ken - FAS
Subject: Re: NPPC: Pork at Tip Of Spear from Tariff Backlash | Agweb.com
Date: Thursday, June 7, 2018 7:52:03 AM

Great article. Right tone and touch.

Ted

From: "Nick Giordano" [redacted] (b) (6) @nppc.org>
Date: Wednesday, June 6, 2018 at 9:30:07 PM
To: "McKinney, Ted - OSEC, Washington, DC" <Ted.McKinney@osec.usda.gov>, "Hafemeister, Jason - OSEC, Washington, DC" <Jason.Hafemeister1@osec.usda.gov>, "Isley, Ken - FAS" <Ken.Isley@fas.usda.gov>
Subject: NPPC: Pork at Tip Of Spear from Tariff Backlash | Agweb.com

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Bcc:	Ken.Isley-FAS@mgd.usda.gov
Subject:	Pork Industry Shows Patience and Faith On Trade | IPTV
Date:	Friday, June 8, 2018 9:32:25 PM

http://www.iptv.org/mtom/story/30803/pork-industry-shows-patience-and-faith-trade

Pork Industry Shows Patience and Faith On Trade

Those higher prices have been brought on by the recent implementation of tariffs on those metals. The response from affected nations has been surgical. Mexico placed a stiff 20 percent tariff on pork products. Producers were already pushing back against a 20 percent charge that China added to existing fees.

Thousands descended on the Iowa State Fairgrounds this week for the World Pork Expo.

As exhibitors made their way around the show ring, pork industry leaders made their case for U.S. producers to compete on the world stage.

Neil Dierks, CEO, NPPC: "The issue for us is access. If we can get into compete, we'll compete with anybody. When you talk about trade agreements, the deal with it is, we're looking at duties and non-scientific barriers that allow us to come to market and compete."

Battered and bruised, the U.S. pork industry is on the front lines of several trade disputes. Members have made phone calls to National Pork Producers Council leadership even though President Trump has said he's not going to leave agriculture out in the cold.

Nick Giordano, Global Government Affairs, NPPC: "We're the biggest single sector in the U.S. that is taking it on the chin. I give a lot of credit to pork

producers for being very measured and very patient."

As late as 1995, the U.S. was still a net importer of pork. Last year, domestic producers shipped 27 percent of their product out of the country.

Nick Giordano, Global Government Affairs, NPPC: "The pork industry in some ways, you can say, pork has made rural America great again. We've been an engine of development for rural America. We're taking a step backwards now with punitive tariffs in China and Mexico, but as I said before, ultimately we've got to be able to trade because we are in an extremely competitive industry."

And as new markets like Argentina emerge, it is the existing destinations of U.S. pork - like NAFTA nations - that are some of the most important. If nothing else, NPPC leaders would like to see a continuation of zero tariff access into the Mexican market.

Nick Giordano, Global Government Affairs, NPPC: "We're taking water on fast, there's a lot of blood on the floor, but we're giving this administration the benefit of the doubt. They've said repeatedly they're going to work with us, so we're going to work with them."

Paul Yeager, Market to Market: "Finding new markets for U.S. pork is priority number one. But at some point, it may have to resort to number two, and that's eating its way out of the problem."

Nick Giordano, Global Government Affairs, NPPC: "The best thing the general public can do is very simple. It is eat more pork. We'd really appreciate it. Because I'll tell you what, our folks are being patriots here."

Trump administration officials from USDA and the United States Trade Representative's office also had time to address attendees.

Ambassador Gregg Doud, Chief Agricultural Negotiator, USTR: "That's our job at USTR, to have very, very frank conversations with other countries."

USTR's Gregg Doud says he's been going non-stop since his confirmation in March. He says the president is concerned about two countries who hold 40 percent of the world's consumers – India and China – and how those two nations refuse to play by rules.

Ambassador Gregg Doud, Chief Agricultural Negotiator, USTR: "China hasn't even told us one thing they've been spending since 2010. Since 2010. So they want us to enter into these dialogs and discussions but they want to operate on a different set of rules. I think we're going to provide more leadership in that area to provide in those discussions."

Doud adds more tariffs will likely be coming that are unrelated to agriculture but have the potential to impact the industry. Trade practices relating to steel, aluminum and intellectual property are the administration's three biggest complaints about the world's 2nd largest economy.

The U.S. and Argentina have been talking about a trade deal since 1992 which highlights how creating policy is never simple.

Neil Dierks, CEO, NPPC: "But these kind of things take time to resolve. For instance, we talk about doing bilateral deals we all have to have a perspective here. You don't start work on a Friday and get done the following Tuesday. They take time. And this is a long game view, in the long term, and be done exports mean opportunities for hog farmers, for rural America."

Ambassador Gregg Doud, Chief Agricultural Negotiator, USTR: "In agriculture, we play offense on trade. You've got to continue to push to move forward on these issues. We've got to begin to negotiate with other countries in getting new deals."

David Herring, President-Elect, NPPC: Dave/President Elect of NPPC: in NC: "We're going over some rocky times right now, but we're still really positive. When you look at the metrics out there, there's more pork getting consumed out in the world today than ever. And there's more demand for our pork. When

we get through these rocky times, the capital that's been put in the industry will be well spent."

For Market to Market, I'm Paul Yeager.

Sent from my iPhone

From:	Jaime Castaneda
To:	McKinney, Ted - OSEC, Washington, DC; Hafemeister, Jason - OSEC, Washington, DC; RJohansson@oce.usda.gov
Cc:	Bonfitto, Jordan - OSEC, Washington, DC
Bcc:	Johansson, Robert - OCE
Subject:	FW: NEWS RELEASE: NMPF Welcomes Assistance to Dairy Farmers Suffering Economic Losses from Retaliatory Tariffs
Date:	Tuesday, July 24, 2018 4:03:50 PM
Attachments:	image001.png image002.png NMPF-Statement-USDA-Trade-Aid 072418.pdf

Jaime Castaneda

From: Maddy Berner
Sent: Tuesday, July 24, 2018 3:44 PM
Subject: NEWS RELEASE: NMPF Welcomes Assistance to Dairy Farmers Suffering Economic Losses from Retaliatory Tariffs

News Release

2107 Wilson Blvd, Suite 600, Arlington, VA 22201
703.243.6111 • www.nmpf.org

"Connecting Cows, Cooperatives, Capitol Hill, and Consumers"

FOR IMMEDIATE RELEASE
Tuesday, July 24, 2018

Chris Galen
703-243-6111 ext. 356
cgalen@nmpf.org

NMPF Welcomes Assistance to Dairy Farmers Suffering Economic Losses from Retaliatory Tariffs

ARLINGTON, VA – The new tariff mitigation program announced Tuesday by the Trump

Administration should provide badly needed economic assistance to dairy farmers facing significant financial losses, the National Milk Producers Federation said today.

The U.S. Department of Agriculture (USDA) announced today that it is preparing a $12 billion economic assistance program designed to help dairy farmers and other agricultural producers suffering from the effects of retaliatory tariffs imposed by Mexico, China and other key trading partners. NMPF's economic estimates indicate that these tariffs will cost U.S. dairy farmers $1.8 billion just through the remainder of this year, based on the decline in milk futures prices since the retaliatory tariffs were implemented.

"We appreciate the president following through on his pledge that America's farmers won't bear the brunt of the economic losses generated by the current trade conflicts," said Jim Mulhern, president and CEO of NMPF. "Today's announcement reflects requests that our organization has made of USDA to relieve some of the financial pain dairy farmers are feeling due to lost export opportunities."

NMPF has been engaged in ongoing discussions with USDA about how to reduce the economic harm caused by the trade disagreements between the United States and other nations. The plan announced today will use USDA's authority to help farmers through a combination of direct payments to farmers, milk product purchases for distribution to feeding programs, and additional export development assistance. Further details about the exact nature of the relief measures will be unveiled later in the summer, USDA officials said.

"We thank the administration for incorporating our recommendations. We will continue working with USDA on program details to achieve provisions that are efficient, cost-effective and equitable to farmers of all sizes in all regions," Mulhern said.

NMPF is also encouraging the administration to conclude the North American Free Trade Agreement (NAFTA) negotiations and pursue new trade opportunities, "which is the long-term solution to the current situation. We need this assistance for now, but we also need new trade deals that allow our farmers to reach customers in other nations," Mulhern said.

Find this news release on our website.

###

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NMPF
NATIONAL MILK
PRODUCERS FEDERATION

News Release

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From:	Michael Dykes
To:	Ibach, Greg - OSEC, Washington, DC; Hoskins, Dudley - OSEC, Washington, DC; McKinney, Ted - OSEC, Washington, DC
Subject:	Fwd: NEWS RELEASE: USDA Announces Funding Package to Lessen Impact of Trade Disruption and Aid Families in Need
Date:	Tuesday, August 28, 2018 6:39:11 AM
Attachments:	USDA Announces Funding Package to Lessen Impact of Trade Disruption and Aid Families in Need .pdf

I wanted to share the press release we did yesterday on the trade mitigation package

Michael

From: 32471576700n behalf of

Sent: Monday, August 27, 2018 8:03 PM

To: Senior Leadership Team

Subject: NEWS RELEASE: USDA Announces Funding Package to Lessen Impact of Trade Disruption and Aid Families in Need

FOR IMMEDIATE RELEASE

Contacts:

Marti Hogan, IDFA

mhogan@idfa.org

(202) 220-3535

Melissa Malcolm, MilkPEP

mmalcolm@milkpep.org

(202) 737-0153

USDA Announces Funding Package to Lessen Impact of Trade Disruption and Aid Families in Need

$84.9 Million Earmarked for Purchases of Fluid Milk, Other Dairy Products

(Washington, D.C. – August 27, 2018) The U.S. Department of Agriculture (USDA) announced today it has earmarked nearly $85 million in new funding to purchase pasteurized fluid milk and other dairy products as part of the nearly $12 billion allocated for U.S. farmers and food manufacturers that have been negatively affected by trade disruption this year. The International Dairy Foods Association (IDFA) and the Milk Processor Education Program (MilkPEP) support USDA's efforts to provide additional benefits to people across the country who don't have regular access to nutritious milk and dairy products, while helping to alleviate some of the financial difficulties facing dairy farmers and companies that stem from lost export sales.

"U.S. dairy foods companies applaud the efforts of Agriculture Secretary Sonny Perdue and his team at USDA for devising a package that will provide nutritious dairy products to people in need while addressing the financial hardships to the dairy industry caused by steep tariff increases and lost sales in foreign markets," said Michael Dykes, D.V.M., IDFA president and CEO.

"Secretary Perdue clearly recognizes the vital role that American agriculture and food processors play in global trade," he added. "With this funding package, USDA has erected a temporary bridge for agriculture while the administration continues its efforts to finalize the North American Free Trade Agreement and solidify other much-needed international trade pacts."

Milk in Demand at Food Banks

Milk is one of the most requested nutrition staples at food banks, yet it is rarely available. Since 2014, The Great American Milk Drive – a nationwide effort to deliver highly desired milk to children and families in need – has delivered more than 1.8 million gallons, or more than 28 million servings, of milk to Feeding America® food banks. Together, the dairy community has set a goal of providing 50 million servings of milk, and its essential nutrients, to kids and families in need by 2020.

"Milk is the top food source of three of the nutrients most likely to be missing from kids' diets – calcium, vitamin D and potassium. Nearly 13 million children face hunger across the country, and we can help ensure they have access to milk's much-needed nutrition," said Julia Kadison, chief executive officer at MilkPEP. "This announcement is a significant milestone and an important opportunity for milk processors to provide milk to children and families in need."

This $84.9 million is under the authority of the Commodity Credit Corporation (CCC). Earlier this month, USDA announced, under the authority of Section 32 of the Act of August 24, 1935, that it would purchase $50 million in pasteurized fluid milk for distribution to food banks and other feeding programs. Section 32 is a permanent appropriation that supports the farm sector through the purchase of commodities, like fluid milk, to encourage domestic consumption.

"The purchases will address one of our country's significant challenges – hunger – and, at the same time, have a positive impact on the dairy industry at a time of significant market uncertainty," Dykes said.

Trade Promotion and Assistance for Farmers

Also under CCC authority, USDA allocated an initial payment of $127 million to dairy farmers and another $200 million for trade promotion that will build and strengthen new markets for U.S. agricultural products, including milk and dairy products.

CCC is a federally owned and operated entity that aids farmers through loans, purchases, payments and other operations, and helps to develop new domestic and foreign markets for agricultural commodities.

###

About IDFA

The International Dairy Foods Association (IDFA), Washington, D.C., represents the nation's dairy manufacturing and

marketing industry, which supports nearly 3 million jobs, generates more than $39 billion in direct wages and has an overall economic impact of more than $628 billion. IDFA is the umbrella organization for the Milk Industry Foundation (MIF), the National Cheese Institute (NCI) and the International Ice Cream Association (IICA).

IDFA's members range from large multinational organizations to single-plant companies. Together they represent more than 85 percent of the milk, cultured products, cheese, ice cream and frozen desserts produced and marketed in the United States and sold throughout the world. The diverse membership includes numerous food retailers, suppliers and companies that offer infant formula and a wide variety of milk-derived ingredients. IDFA can be found at www.IDFA.org.

About MilkPEP

MilkPEP, Washington, D.C., is funded by the nation's milk companies, who are committed to educating consumers about the many nutritious benefits of milk and ensuring all children have access to fresh, wholesome milk. The MilkPEP Board runs marketing programs, including Milk Life and Milk It!, multi-faceted campaigns highlighting the important role milk plays in helping families reach their full potential and enjoyment, and Built with Chocolate Milk, which inspires athletes to perform at their best and recover with lowfat chocolate milk. For more information, go to milklife.com and builtwithchocolatemilk.com.

MARTI HOGAN

Director of Communications

International Dairy Foods Association

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www.idfa.org |Facebook |Twitter

MAKING A DIFFERENCE FOR DAIRY

FOR IMMEDIATE RELEASE

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Melissa Malcolm, MilkPEP
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From:	McKinney, Ted - OSEC, Washington, DC
To:	Dykes Michael - FASContact; Ibach, Greg - OSEC, Washington, DC; Hoskins, Dudley - OSEC, Washington, DC; Willbrand, Zhulieta - OSEC, Washington, DC
Subject:	RE: NEWS RELEASE: USDA Announces Funding Package to Lessen Impact of Trade Disruption and Aid Families in Need
Date:	Tuesday, August 28, 2018 7:54:46 AM

Thanks Michael. Good release, and thank you for sharing. We, too, are glad for having fluid milk added to the portfolio of products being provided to our nations' needy.

Take care

Ted McKinney
202-[redacted]
Ted.mckinney@osec.usda.gov

From: Michael Dykes [redacted]@idfa.org>
Sent: Tuesday, August 28, 2018 6:39 AM
To: Ibach, Greg - OSEC, Washington, DC <Greg.Ibach@osec.usda.gov>; Hoskins, Dudley - OSEC, Washington, DC <Dudley.Hoskins@osec.usda.gov>; McKinney, Ted - OSEC, Washington, DC <Ted.McKinney@osec.usda.gov>
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USDA Announces Funding Package to Lessen Impact of Trade Disruption and Aid Families in Need

$84.9 Million Earmarked for Purchases of Fluid Milk, Other Dairy Products

(Washington, D.C. – August 27, 2018) The U.S. Department of Agriculture (USDA) announced today it has earmarked nearly $85 million in new funding to purchase pasteurized fluid milk and other dairy products as part of the nearly $12 billion allocated for U.S. farmers and food manufacturers that have been negatively affected by trade disruption this year. The International Dairy Foods Association (IDFA) and the Milk Processor Education Program (MilkPEP) support USDA's efforts to provide additional benefits to people across the country who don't have regular access to nutritious milk and dairy products, while helping to alleviate some of the financial difficulties facing dairy farmers and companies that stem from lost export sales.

"U.S. dairy foods companies applaud the efforts of Agriculture Secretary Sonny Perdue and his team at USDA for devising a package that will provide nutritious dairy products to people in need while addressing the financial hardships to the dairy industry caused by steep tariff increases and lost sales in foreign markets," said Michael Dykes, D.V.M., IDFA president and CEO.

"Secretary Perdue clearly recognizes the vital role that American agriculture and food processors play in global trade," he added. "With this funding package, USDA has erected a temporary bridge for agriculture while the administration continues its efforts to finalize the North American Free Trade Agreement and solidify other much-needed international trade pacts."

Milk in Demand at Food Banks

Milk is one of the most requested nutrition staples at food banks, yet it is rarely available.

Since 2014, The Great American Milk Drive – a nationwide effort to deliver highly desired milk to children and families in need – has delivered more than 1.8 million gallons, or more than 28 million servings, of milk to Feeding America® food banks. Together, the dairy community has set a goal of providing 50 million servings of milk, and its essential nutrients, to kids and families in need by 2020.

"Milk is the top food source of three of the nutrients most likely to be missing from kids' diets – calcium, vitamin D and potassium. Nearly 13 million children face hunger across the country, and we can help ensure they have access to milk's much-needed nutrition," said Julia Kadison, chief executive officer at MilkPEP. "This announcement is a significant milestone and an important opportunity for milk processors to provide milk to children and families in need."

This $84.9 million is under the authority of the Commodity Credit Corporation (CCC). Earlier this month, USDA announced, under the authority of Section 32 of the Act of August 24, 1935, that it would purchase $50 million in pasteurized fluid milk for distribution to food banks and other feeding programs. Section 32 is a permanent appropriation that supports the farm sector through the purchase of commodities, like fluid milk, to encourage domestic consumption.

"The purchases will address one of our country's significant challenges – hunger – and, at the same time, have a positive impact on the dairy industry at a time of significant market uncertainty," Dykes said.

Trade Promotion and Assistance for Farmers

Also under CCC authority, USDA allocated an initial payment of $127 million to dairy farmers and another $200 million for trade promotion that will build and strengthen new markets for U.S. agricultural products, including milk and dairy products.

CCC is a federally owned and operated entity that aids farmers through loans, purchases, payments and other operations, and helps to develop new domestic and foreign markets for agricultural commodities.

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About IDFA

The International Dairy Foods Association (IDFA), Washington, D.C., represents the nation's dairy manufacturing

and marketing industry, which supports nearly 3 million jobs, generates more than $39 billion in direct wages and has an overall economic impact of more than $628 billion. IDFA is the umbrella organization for the Milk Industry Foundation (MIF), the National Cheese Institute (NCI) and the International Ice Cream Association (IICA).

IDFA's members range from large multinational organizations to single-plant companies. Together they represent more than 85 percent of the milk, cultured products, cheese, ice cream and frozen desserts produced and marketed in the United States and sold throughout the world. The diverse membership includes numerous food retailers, suppliers and companies that offer infant formula and a wide variety of milk-derived ingredients. IDFA can be found at www.IDFA.org.

About MilkPEP

MilkPEP, Washington, D.C., is funded by the nation's milk companies, who are committed to educating consumers about the many nutritious benefits of milk and ensuring all children have access to fresh, wholesome milk. The MilkPEP Board runs marketing programs, including Milk Life and Milk It!, multi-faceted campaigns highlighting the important role milk plays in helping families reach their full potential and enjoyment, and Built with Chocolate Milk, which inspires athletes to perform at their best and recover with lowfat chocolate milk. For more information, go to milklife.com and builtwithchocolatemilk.com.

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MAKING A DIFFERENCE FOR DAIRY

From: [illegible]
To: [illegible]
Subject: Fwd: NPPC Hails U.S.-Mexico-Canada Trade Agreement
Date: Monday, October 1, 2018 6:30:23 AM
Attachments: [illegible]

Sent from my iPhone

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> **Date:** October 1, 2018 at 1:03:50 AM EDT
> **Subject:** NPPC Hails U.S.-Mexico-Canada Trade Agreement

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PRESS RELEASE

NPPC Hails U.S.-Mexico-Canada Trade Agreement; Designates Congressional Ratification As 'Key Vote'

Recent Deals Preserve Zero-Tariff Access To Three Of Top Five Markets

WASHINGTON, D.C., October 1, 2018 The National Pork Producers Council praised the Trump administration for establishing a free trade agreement that preserves zero-tariff access for U.S. pork to Mexico and Canada. The agreement, which was sent by the administration to Capitol Hill for ratification today, will be designated by NPPC as a "key vote" to ensure that its members are informed about "yes" and "no" votes on the pact.

"We thank the administration for its diligent work to complete recent agreements that maintain zero-tariff access to three of U.S. pork's top five markets," said Jim Heimerl, NPPC president and a pork producer for Johnstown, Ohio. "The three-way pact with Mexico and Canada, our largest and fourth largest export markets, respectively, and the recently signed agreement with Korea represent welcome momentum during what has been a challenging year."

Last week, the administration formally signed a modernized free trade agreement with South Korea that retained the zero-tariff access to U.S. pork's fifth largest export market.

Heimerl added, "We urge Congress to quickly ratify the U.S.-Mexico-Canada trade agreement, and we'l closely monitor this as a key vote for our members, who have demonstrated incredible perseverance as the administration realigns U.S. global trade policy."

U.S. pork is currently on three trade retaliation lists that have placed 40 percent of total exports under punitive tariffs. NPPC continues to urge the administration to remove tariffs on Mexican steel and aluminum imports so that country will lift its 20 percent retaliatory tariff on U.S. pork.

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NPPC is the global voice for the U.S. pork industry protecting the livelihoods of America's 60 000 pork producers who abide by ethical principles in caring for their animals in protecting the environment and public health and in providing safe wholesome nutritious pork products to consumers worldwide. For more information visit www.nppc.org

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NPPC Contacts:

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From: M. Giordano
To: Ted A. McKinney
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image011.png
image012.png
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Sent from my iPhone

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> **Date:** October 16, 2018 at 4 45 32 PM EDT
> **Subject:** Trade News Has Pork Producers Feeling Optimistic

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PRESS RELEASE

Trade News Has Pork Producers Feeling Optimistic

WASHINGTON, D.C., Oct. 16, 2018 – News on the trade front is getting better for U.S. pork producers as the Trump administration today announced it wants to negotiate trade agreements with the European Union, Japan and the United Kingdom. The National Pork Producers Council commended the administration for its ambitious trade agenda. The administration recently updated agreements with Canada and Mexico and with South Korea that maintained the U.S. pork industry's zero-tariff access to those important markets, three of the top five destinations for U.S. pork exports.

"We've got the momentum on trade headed in the right direction now," said NPPC President Jim Heimerl, a pork producer from Johnstown, Ohio. "Producers are hurting because of retaliatory tariffs on pork, which were prompted by the administration's efforts to realign U.S. trade policy. But producers have been patient, and now that patience is starting to pay off, particularly if we get a trade deal with Japan."
Since Trump took office in January 2017, NPPC has been urging the White House to begin trade talks with countries in the fast-growing Asia-Pacific region, beginning with Japan, the U.S. pork industry's No. 1 export market. It also has called for deals with the Philippines and Vietnam.
NPPC also has been supportive of trade negotiations with the United Kingdom, provided that the U.K. is willing to eliminate all non-tariff barriers and embrace U.N. food-safety standards and other international standards.

"NPPC will not support a deal with the U.K. unless it agrees to equivalence, meaning that all USDA-approved pork and pork products must be eligible for export to the U.K. without additional requirements," Heimerl said.
And while the organization is open to trade negotiations with the U.K., it is skeptical about EU intentions.

"The EU has played the United States like a drum in the past," said Heimerl. "This must stop. We expect the Trump administration to require the EU to eliminate all tariff and non-tariff barriers to U.S. pork so we can export with no additional requirements."

While the trade news is good for U.S. pork producers, NPPC is continuing to press the Trump administration to resolve trade disputes with China and Mexico, including dropping tariffs on steel and aluminum imports from the latter. Both countries imposed retaliatory tariffs on U.S. pork in response to the U.S. metals duties.

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NPPC is the global voice for the U.S. pork industry, protecting the livelihoods of America's 60,000 pork producers, who abide by ethical principles in caring for their animals, in protecting the environment and public health and in providing safe, wholesome, nutritious pork products to consumers worldwide. For more information, visit www.nppc.org.

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